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NATIONAL SECOND MORTGAGE ASSOCIATION

SECOND MORTGAGE STATISTICAL SURVEY FOR THE YEAR 1985

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1985
SECOND MORTGAGE SURVEY

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ABSTRACT

This report analyzes reponses to the National Second Mortgage Association's annual questionnaire on firms' second mortgage lending activities, loan terms, policies and profits. Responses to the questionnaire which were received by early September, 1986, are included in all the statistical results presented here. Data from seven additional questionnaires received in late September and early October are only included in the compiliations presented in Tables 1 and 2. The questionnaire data show that the sixty-eight respondents who provided numerical data held $17 billion in second mortgages outstanding at year-end 1985, and serviced an additional $1 billion. Thus, questionnaire respondents accounted for most of the $23.5 billion in second mortgages outstanding and serviced reported on the NSMA membership's application and renewal forms in 1986.

The survey data show that growth in the second mortgage market continued in 1985, as the typical respondent reported a growth rate of 22% in year-end net outstandings and 11% in the net value of originations over 1984. Analysis of more detailed data provided on the survey questionnaires shows that the growth in second mortgage outstandings in 1985 resulted from solid growth in originations. The average size of second mortgages originated typically increased by at least 5%, and, in addition, most lenders originated at least 10% more second mortgages in 1985 than in 1984. Most mortgage bankers, thrift institutions and finance company affiliates of commercial banks originated substantially more second mortgages in 1985 than in 1984.

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In addition to data on second mortgage loan balances, originations, sizes and growth, the questionnaire data provided useful insights into second mortgage renewals and cash liquidation rates, second mortgage loan terms, secondary market activity, loan delinquencies, losses and chargeoffs, and the profitability of second mortgage lending. The data also provided useful insights into second mortgage pricing, the use of private mortgage insurance, foreclosure and chargeoff policies, and adjustable rate, balloon, revolving and indirect lending.

As has been true in the past, the data indicate that respondents' losses on second mortgage lending generally were quite low. Typical foreclosures were only one-third of one percent and all reported foreclosures accounted for less than ½% of reported outstandings. However, average foreclosure rates (at close to 1%) were substantially higher than typical values as some lenders had poor foreclosure experiences. Net chargeoffs, once again, were only half as large as foreclosure rates. Furthermore, total second mortgage delinquencies (of over 60 days) were typically only 1¼%. However, in spite of the good overall statistics, some lenders experienced serious loss and delinquency problems in 1985.

Overall, except for two lenders who incurred losses, second mortgage lending was highly profitable for most lenders in 1985. The reason was that, in general, second mortgage lenders' costs of funds were substantially lower than their average portfolio yields in 1985. This was true even though downward pressure on second mortgage loan rates was quite evident in all states.

Other key data show that second mortgage cash liquidation rates typically averaged 26% and ranged between 22% and 35% at different types of lenders. Liquidation rates unadjusted for renewals were somewhat higher, with a typical value of 34%.

The experience of second mortgage lenders varied widely among lender groups. Each reader will need to consult the detailed data compiled by lender group in each of the tables to analyze the experience of the lender groups in which he or she is most interested. Separate data are reported for mortgage bankers, savings associations (including mutual savings banks), commercial banks, bank-affiliated finance companies with large holdings of second mortgages, bank-affiliated finance companies with smaller holdings of second mortgages, and non-bank finance companies with smaller holdings of second mortgages.

Second mortgage growth, loan size, delinquency and foreclosure experience also varied widely across states. The final section of this report describes interstate differences in second mortgage lending.

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I. OVERVIEW

This study is part of a continuing series of studies that the National Second Mortgage Association (NSMA) has conducted of its members in order to obtain as much information as possible about the nature of the second mortgage market. The first study was conducted in 1978 by Peat, Marwick and Mitchell. Subsequently, the present author worked with the National Second Mortgage Association and the Credit Research Center to send questionnaires to NSMA second mortgage lenders in 1979, 1980 and 1981. Summary reports compiled from those questionnaires were published by the Credit Research Center as Working Papers No. 33, 39 and 42 - which are available at a price of $6.00 each (plus first class postage if prompt delivery is desired) from the Credit Research Center, of Purdue University. The 1982, 1983, 1984 and 1985 studies also were prepared by the present author. Back copies of some of these may be available through NSMA. Preliminary working papers used to compile the NSMA report are available after the NSMA report is distributed for $10 each (with no postage charge) from Texas Tech University's Institute for Banking and Financial Studies, Lubbock, Texas 79409. The present report, as was the case in years past, has been prepared for distribution by the National Second Mortgage Association to its members. It is also available to non-members at a cost of $75.

The data analyzed in this report were obtained from NSMA members responses to a questionnaire mailed in mid-1986. All NSMA members were mailed detailed questionnaires to complete and return to the National Second Mortgage Association (a copy of the 1986 questionnaire is contained in the Appendix). In addition, Wells Fargo Credit Corporation sent questionnaires to a number of non-member large commercial banks that participate

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in the second mortgage market. Because of Wells Fargo's efforts, this survey contains much more complete and useful information on commercial bank participation in the second mortgage markets than in previous years. With the exception of Table 2, which also contains data compiled from NSMA membership application and renewal forms, the data reoprted in this paper were obtained from the questionnaires completed by NSMA members and cooperating commercial banks. In order to facilitate comparisons with previous years' data, this report uses the same outline and essentially the same table format as last year's report. There are only two major differences. First, expanded coverage has been given to profitability, cost and revenue ratios (in Tables 20, 21 and 22 and in a new Table 23). Second, in these tables and in others where detailed data were important, a full range of responses to each item are given - rather than just, high, low and "typical" (medium) values. However, typical values are underlined in each set of such data.

This year a total of sixty-six institutions returned the questionnaires. The data provided in the returned questionnaires provided valuable insights into the nature of growth in second mortgage originations and outstandings, second mortgage loan sizes and terms, second mortgage loan refinancings, liquidations and cash flows, the use of private mortgage insurance on second mortgages, secondary market participation, second mortgage delinquency ratios, foreclosures and chargeoffs, and factors affecting revenue sources and the overall profitability of second mortgage lending.

Due to improvements in the questionnaire and considerable care taken by most of the respondents, the data reported in the 1984, 1985 and 1986 questionnaires are far more comprehensive, and should be more reliable and useful, than data reported before 1982. Reporting accuracy was particulary good in 1986.

However, there were still some reporting problems associated with the survey. Many companies did not provide detailed data on a state-by-state basis, and many did not provide complete data on foreclosures, delinquencies and other factors affecting their profitability. Consequently, some of the reported data are not as comprehensive or detailed as might be desirable. This was particularly the case since a number of reporters were unable to isolate data (such as delinquencies, foreclosures or revenues) relating solely to second mortgages from their other operating data. Thus, some responses were omitted as either no data were provided or the author concluded that the data provided were either unreasonably large or unreasonably small.

The remainder of this report summarizes data obtained from the 1986 NSMA questionnaire. The data relate to outstanding second mortgage stocks as of December 31, 1985, and to second mortgage transactions during 1985. Because of the distinct nature of different financial entities, data are reported separately for the following categories of reporters:

1. Savings and loan associations and savings banks

2. Commercial banks

3. Mortgage bankers (including self-reported mortgage bankers, as well as other institutions that primarily serviced second mortgage loans)

4. Non-bank finance companies holding $100 million or less in second mortgages

5. Non-bank finance companies holding over $100 million in second mortgages

6. Bank-affiliated finance companies holding $100 million or less in outstanding second mortgages

7. Bank-affiliated finance companies holding over $100 million in outstanding second mortgages

A breakdown of survey respondents, by reporting category, is given in Table 1. The total number of respondents providing comprehensive data increased in 1986, primarily because more commercial banks responded to the questionnaire. In addition, many of the respondents (particularly smaller finance companies and savings associations) provided much more complete data than in the past. As a result, the detailed information in each table should be more useful. Some key data reported in the survey questionnaire are summarized in Table 2. Much more detailed and analytical data follow in Tables 3 through 25.

In Table 2, summary data are compiled for key statistics on second mortgage outstandings, servicings, originations, foreclosures and chargeoffs. The number of respondents providing consitutent data is given in parentheses at the side of each column. In addition, where similar data were available (from a total of 98 respondents) on NSMA membership application and renewal forms, those data are presented directly below the survey data. Data compiled

on the application and renewal forms cover a greater number of respondents but may be less precise - as serviced loans are included with loans outstanding and no distinction is necessarily drawn between "net" and "gross" data. "Gross" receivables data overstate net originations and outstandings by the amount of unearned finance charges.

The data presented in Table 2 indicate that NSMA members held or serviced 1.3 million second mortgages worth a little over $23.5 billion at year-end 1985. The average size of second mortgages outstanding was over $18,000. NSMA survey respondents reported holding 1 million second mortgages of their own and servicing an additional 78,000 second mortgages worth over $1 billion in 1985.

The data indicate that NSMA members originated approximately half a million second mortgages in 1985. The net value of originations reported by the sixty-eight questionnaire respondents was $7.7 billion, while the ninety-eight NSMA members reported originations of $12 billion during 1985. The average size of new loans reported by NSMA members was $18,677, while the average size of net originations reported by questionnaire respondents were $16,200. The NSMA membership loan site and origination data possibly are larger, in part, because some respondents reported gross rather than net originations.

While not all respondents provided data on foreclosures, most of the larger second mortgage holders did so. NSMA members reported over four thousand foreclosures in 1984. Questionnaire respondents reported foreclosed loans were worth over $81 million. However, net chargeoffs in 1985, at $41 million were only half as large as the value of loans foreclosed. The median ("typical") foreclosure rate for questionnaire respondents in 1985 only equalled 33 hundreth's of 1 percent of the amount of loan outstanding at year-end 1985. However, because a few firms experienced substantial loss rates, the average foreclosure rate for all questionnaire respondents was 0.93% based on the number of loans foreclosed and 1.38% based on the value of loan foreclosed. However, because the larger firms experienced low foreclosures, the ratio of all foreclosures to all reported outstandings was only 0.47% for all questionnaire respondents and 0.39% for NSMA members.

The average loan size data reported in Table 2 differ from later figures in that they are averages for sums of all data reported by all respondents. All other data reported in the study refer to high, low or "typical" (i. e., median) values of ratios applicable to each type of institution. In those computations, averages are obtained by giving each institution's

statistics equal weight, while in Table 2, each loan, or each dollar of outstandings (as the case may be), is given equal weight. The Table 2 "average value" numbers are suspect in the sense that not all respondents reported on both the number and the dollar value of their loans outstanding and originated; however, such respondents typically had small portfolios, so any bias is relatively small and the reported averages are approximately correct.

II. CHARACTERISTICS OF SECOND MORTGAGE LENDING IN 1985

The 1986 NSMA questionnaire collected extensive descriptive information on survey respondents' loan policies and portfolio characteristics in 1985. Data were obtained on loan pricing and credit insurance policies, adjustable rate, balloon, revolving and indirect lending, the security position of second mortgage debt, and rate adjustment techniques on variable rate loans. In addition, the questionnaire data were used to compute statistics on second mortgage growth rates, originations and renewals, cash and total portfolio liquidation rates, and secondary market activity. Major findings are presented in Tables 3 through 12 and are summarized below.

A. Loan Terms

NSMA members reported their high, low and average interest rates charged during 1984. The reported data indicated that rates on new second mortgages ranged from 5% to 42% in 1984, and that typical second mortgage rates were 15.35% in 1985 (down from 16.66% in 1984). As was true in 1984, typical average rates charged on second mortgages were highest for the smaller finance companies, somewhat lower for larger finance companies and mortgage banks and lowest for commercial banks and thrift institutions (Table 3).

Loan to equity ratios on second mortgages ranged from 50% to 85%, with an average of 72.5%. Typical loan to value ratios ranged from 65% to 75% of appraised equity. Non-bank finance companies typically offered loans on the most restrictive terms, while thrifts and bank-affiliated finance companies typically offered loans with slightly higher loan to value ratios. The maximum combined loan to value ratio (CLTV) that respondents would consider ranged from 70% to 110%. The typical CLTV was 80% overall and varied from 75% to 90% for different types of lenders. Large non-bank finance companies had the lowest typical

CLTV requirement (at 75%), while mortgage bankers typically offered the highest CLTV ratios (at 90%). Large bank-affiliated finance companies typically offered CLTV ratios of 85%. Overall, fewer firms allowed high CLTV ratios (of 95% or more) than in previous years.

The written maturity of new second mortgages ranged from 37 months to 191 months and typically were for 120 months (up slightly from last year). However, due to the use of renegotiable rate and balloon notes, the average actual maturity was substantially lower, with a typical value of 54 months. Typical written maturities were shortest at mortgage bankers and at bank-affiliated finance companies with small holdings of second mortgages, and were shortest at thrifts and the smaller non-bank finance companies. Typical values for average actual maturities were between 3½ and 7 years for most lenders, with a maximum value of 14 years and a minimum value of 19 months. In general, typical actual maturities were somewhat shorter than in preceeding years while written maturities seemed to increase slightly from 1984.

The average size of second mortgage loans made to businesses ranged from $12,000 to $542,000 with a typical value of $27,400 in the last quarter of 1985, but only 14 respondents made such loans. The average size of loans made to households by questionnaire respondents was smaller - with an average size ranging from $4,700 to $231,000 for different respondents and a typical value of $23,300. Typical household loan sizes were smallest at commercial banks and at non-bank finance companies. They were largest at thrifts, mortgage bankers and bank-affiliated finance companies.

Additional information collected on loan terms indicated that the vast majority of second mortgage respondents rarely made second mortgages to finance new home purchases, and that very few lenders required private mortgage insurance.

B. Growth In Second Mortgage Lending

NSMA respondents typically reported solid growth in their second mortgage loan outstandings in 1985. The typical growth rate in outstandings was 22%, as both the typical average size of outstandings and the number of loan outstanding grew by close to 9%. The typical average size of loans originated increased moderately (by 6%) and the number of originations typically

grew by 11%. Typical growth rates of second mortgage originations were greatest at thrift institutions, bank-affiliated finance companies and mortgage bankers. Growth rates in second mortgage originations, with a few prominent exceptions, typically were lower at non-bank finance companies and at commercial banks (Table 4).

C. Second Mortgage Originations And Renewals

The overall average size of second mortgage originations throughout 1985 averaged $16,000 but the average size of loan reported by the typical lender was $20,242. The average loan size varied substantially among lenders. Commercial banks and the smaller finance companies (especially the non-bank finance companies) typically made the smallest second mortgage loans while mortgage banks typically made the largest loans. The average size of revolving credit originations at most lenders was typically larger than the average size of non-revolving second mortgage originations (Table 5). Overall, the typical lender made revolving credit second mortgages with an average size of nearly $31,000.

For questionnaire respondents in general, a large portion of the number of second mortgages originated represented renewals of previous loans. The renewal rate was highest for the smaller finance companies, where reported renewals represented close to half of all loan originations. In contrast, renewal rates were quite low for commercial banks, mortgage bankers and large non-bank finance companies. Overall, renewals typically accounted for 16½% of the second mortgage originations reported by questionnaire respondents. Thus, the proportion of new money reported for second mortgage loans was under 86% of all money advanced.

D. Second Mortgage Liquidation Rates

Many people are interested in the speed with which second mortgage portfolios typically are liquidated. The scheduled amortization rates from second mortgages and, hence, the scheduled cash flows are considerably higher than amortization rates and cash flows from first mortgages. In addition, second mortgage liquidation rates are augumented by the fact that second mortgages are prepaid or refinanced much more frequently than first mortgages.

While it would be ideal to have information on liquidation rates according to the age and initial maturity of second mortgages, such detailed data are not available. In fact, data are not directly available on total portfolio liquidation rates. Nonetheless, liquidation rates can be computed for entire second mortgage portfolios by making use of the fact that the change in outstandings must equal originations minus liquidations or, equivalently, total liquidations equal originations minus the change in outstandings. Additional adjustments can also be made to account for purchases and sales of second mortgages from the portfolio and for renewals which represent paper, rather than cash, transactions.

Table 6 shows the portfolio liquidation rates calculated by various techniques for different types of lenders. Because mortgage bankers vary their portfolios widely as they pool and sell off securities, in some cases, the calculated liquidation rates were extremely high.

Overall, the data presented in Table 6 indicate that second mortgage portfolios turned over at a high rate in 1985. Typical second mortgage portfolio liquidation rates were 33.% of average net outstandings during 1985. After adjustment for purchases and sales and renewals, typical "cash" liquidation rates were 26.4% during 1985. Cash liquidation rates varied from a low of 11% to a high of 63%, but typical values were in the 22% to 29% range for all types of lenders except the smaller non-bank finance companies. At the indicated rates, the average second mortgage would be liquidated by cash repayment in three to four years and it would be liquidated either by cash repayment or renewal in about 3 years.

E. Secondary Market Activity

Approximately one-third of the questionnaire respondents reported purchasing second mortgages from other originators and about the same number reported that they serviced second mortgages. On balance, questionnaire respondents purchased more second mortgages than they sold. Overall, purchased mortgages equalled nearly 10% of the value of mortgages originated by questionnaire respondents in 1985 (Table 7).

Purchasers of second mortgages tended to buy mortgages that were smaller than the second mortgages sold by other respondents. Serviced second mortgages, however, were approximately the same size as purchased second mortgages. Thus, the average size of loans sold was larger than the average size of second mortgages serviced. Evidently, partial

amortization or the fact that past loans were smaller than the average size of second mortgages sold in 1985 accounted for this result.

Overall, questionnaire respondents reported a strong rate of growth in purchases of second mortgages, a somewhat lower rate of growth for sales of second mortgages, and a decline in second mortgages serviced during 1985. Evidently, a large number of respondents used net purchases of second mortgages to expand their portfolios during the year.

Finally, while little information was available on servicing fees received on second mortgages, the limited data that were available suggested that annual servicing fees typically were slightly more than $200, or less than 1% of the value of second mortgages serviced.

F. Revolving Lending

The 1985 survey indicated that revolving second mortgage credit originations and outstandings, continued growing rapidly in 1985. At year-end 1985, revolving second mortgages held by NSMA members accounted for over 3½ billion or more than 20% of second mortgage credit outstanding. Reported revolving credit originations were nearly $2 billion in 1985, which was more than ¼ of all reported second mortgage originations in 1985. For respondents who reported data for both 1984 and 1985, both total revolving credit originations and outstandings were more than twice as great in 1985 as in 1984 (Table 8). Typical reported growth rates in revolving credit at existing lenders were 116% of the value of revolving credit outstandings and 62% of the value of revolving credit originations.

In general, the average size of revolving second mortgage loans was substantially larger than typical second mortgages in 1985. Thus, their rapid growth during the year undoubtedly contributed to growth in the average size of second mortgages in general.

G. Adjustable Rate And Balloon Mortgages

Adjustable rate mortgages (ARM's) were another form of second mortgage that grew very rapidly during 1985. At year-end 1984, questionnaire respondents reported that they had over $3½ billion in ARM's outstanding and nearly $2 billion in balloon mortgages.

Consequently, NSMA members' holdings of ARM's, balloon notes and revolving credits accounted for ½ of their total second mortgage holdings. Thus, questionnaire respondents have gone a long way toward reducing the interest rate risk embodied in long-term second mortgages. During 1985, the typical lender that held adjustable second rate mortgages at the start of the year experienced a 60% growth rate in the value of loans and a 19% growth rate in the number of ARM's outstanding (Table 9).

Ownership of ARM's was concentrated among particular lender groups. Thrift institutions were the most active in the market, with 100% reporting ARM's, followed closely by large finance companies and commercial banks. However, small finance companies rarely made adjustable rate second mortgages (29% and 25%, respectively, of all non-bank and bank-affiliated "small" finance companies held ARM's) and only ½ of the reporting mortgage bankers held ARM's.

Rate adjustments on second mortgage ARM's were primarily tied to short-term market rates. The bank prime rate (as reported in The Wall Street Journal) was most commonly used to establish ARM rates - particularly for finance companies and commercial banks. The second most common type of rate base consisted of rates on Treasury securities - usually 3-month, 6-month, or 1-year Treasury bills. Treasury security rates were most commonly used to adjust rates charged on ARM's issued by thrift institutions and mortgage bankers. Other rate adjustment mechanisms included the 10-year Treasury bond rate, the CD rate, the company's "base rate," the Federal Home Loan Bank Cost of Funds index and the Federal Home Loan Bank Mortgage index. Rate adjustment procedures are summarized in Table 9 and presented in more detail in Table 10.

Some companies used balloon rate second mortgages or mortgages with call options in lieu of ARM's. Balloon mortgages have rates that can be marked to the market whenever they come due and the balloon payment is refinanced. Overall, balloon mortgages grew substantially less rapidly than ARM's for existing lenders during 1985. However, because many more lenders reported their holdings of balloon notes in 1985, the number and value of balloon notes outstanding at year-end was substantially greater than that reported by survey respondents in previous years. As a result, balloon notes accounted for more than 10% of all second mortgages held by NSMA questionnaire respondents at year-end 1985.

Interestingly, as was true for revolving credits, ARM's and balloon note second mortgages were substantially larger than other second mortgages. Seemingly, lenders are more concerned with obtaining protection against interest rate changes when they extend larger credits which, presumably, are amortized over relatively long periods of time.

H. Indirect Lending & Subordination Of Second Mortgage Debt

The 1986 questionnaire asked questions designed to determine the extent to which second mortgage lenders obtained their second mortgages indirectly rather than through their direct lending activities. Eighteen firms reported indirect second mortgage originations and fifteen reported holdings of indirect second mortgages. Mortgage bankers most frequently reported indirect mortgage originations. Several mortgage bankers and finance companies obtained all their new second mortgages through purchases. In general, the average size of indirect originations was greater than the average size of direct originations (Table 11, Parts I and II).

Another set of questions tried to determine the security position of "second mortgage" liens. While most respondents reported that all their second mortgages were, indeed, second liens, eleven reported that some were, in fact, first liens taken out by people who wished to draw on the equity in their fully-owned homes. The typical proportion of reported first liens, however, was under 10% (Table 11, Part III).

Finally, three respondents reported that a few of their second mortgages were actually third liens or higher. The maximum reported holding of such liens was only 11% as a percent of the value and 3% as a percent of the number of total originations by the firm.

I. Private Mortgage Insurance

Some second mortgage lenders use private mortgage insurance to provide additional risk coverage on their loans. Many require such insurance only if the borrower's equity position in a property, based on a combined loan to value ratio (CLTV) assessment, is below their usual standards. Others may require private mortgage insurance on all loans so they can be more easily pooled and resold.

The 1986 questionnaire asked respondents to specify their private mortgage insurance (PMI) policies. Responses to that question are provided in Table 12. The limited number of responses suggest that private mortgage insurance is not required by most second mortgage lenders, and when it is required, it is used primarily to guarantee loans that otherwise would fail to meet the lender's owner equity standards - i. e., for loans with CLTV ratios greater than 75% or 80%. Interestingly, it appears that as lenders have imposed stricter CLTV standards in recent years, they have cut back on their usage of private mortgage insurance.

III DELINQUENCIES, FORECLOSURES & CHARGEOFFS ON SECOND MORTGAGES

A. Delinquency Rates

In 1985, most questionnaire respondents had very favorable delinquency ratios. Table 13 presents data on delinquency rates reported by questionnaire respondents. It shows that typical 60 day plus delinquency rates for second mortgage lenders were 1.23% of net second mortgage loans outstanding or 1.21% of the number of second mortgages outstanding. It also shows that 60-89 day delinquency rates typically were 0.43%, based on the value of loans delinquent, and 0.51%, based on the number of loans delinquent. Thus, delinquency rates remained at the low levels they reported in 1984.

There was substantial variation in delinquency rates both among individual lenders and by type of lender. Maximum delinquency rates were as high as 15.79% (by value) at one mortgage banker and 7.71% (by number) at one small finance company. Two other finance companies had delinquency rates over 6%. However, total 60 day plus delinquency rates reported by nearly half of all lenders were less than 1% of outstandings. Typical delinquency rates were lowest at thrift institutions, commercial banks and small bank-affiliated finance companies. Delinquency rates were highest at mortgage bankers and small non-bank finance companies.

The data on 60-89 day delinquencies are reported because they are standard for all types of lenders. Since some lenders chargeoff delinquent loans at 90 days, while others wait until 120 days, 180 days or even longer before charging-off problem loans, total delinquencies can vary widely. Thus only 60-89 day rates are directly comparable for all lenders. Typical 60-89 day delinquency rates were lowest for thrift institutions and highest for the smaller non-bank finance companies (Table 13).

B. Foreclosure Rates & Policies

Table 14 indicates that foreclosure policies vary widely. Some firms may move to foreclose after as little as 30 days in delinquent status. However, many also note that foreclosure will not be pursued if the customer is cooperative and there are extenuating circumstances. Most lenders start foreclosure at 60 days or when the account is two full payments past due. However, some commence foreclosure when a loan is 30 days past due and others may wait 120, 180 or even 270 days before foreclosing. In general, most lenders started foreclosure proceedings at 60 or 90 days, but most also varied their policies depending upon the willingness of the customer to cooperate, the amount of equity in the home and the stage of delinquency. Cooperative borrowers with extenuating circumstances often could forestall foreclosure, while uncooperative borrowers might find themselves faced with foreclosure proceedings in 60 days or less.

Total foreclosures reported by forty-eight questionnaire respondents for 1985 totaled 2,161, with a total value of over $80 million. This equalled approximately ½% of their outstanding second mortgage loan balances at year-end 1985 - about the same ratio as in 1984. As shown in Table 15, typical foreclosure rates as a percentage of year-earlier outstandings were lowest for thrifts and commercial bankers, and highest for the smaller non-bank finance companies and some mortgage banks. Since mortgage banks and the small-holder finance companies typically sold a large portion of the mortgages they originated, many of their foreclosure ratios may be overstated since their outstandings are low relative to the volume of their serviced loans. Large finance companies of all types and the smaller bank-affiliated finance companies typically had relatively low rates of foreclosure - with typical values consistently below 1%. For most lender groups (commercial banks and large finance companies are minor exceptions and small non-bank finance companies are a major exception) typical foreclosure rates stayed constant or declined from 1984 to 1985.

Additional details on foreclosures are provided in Table 16. Table 16 shows that most property foreclosed is taken by legal process. However, a number of companies reported that 10% to 50% of their foreclosures were taken by deed - and one bank reported even a higher ratio. Small-holder finance companies recovered their security by deed more frequently than other lenders.

Other data presented in Table 16 indicate that the average ratio of property sold to total annual foreclosures is slightly more than 80%. This ratio often is less than 100% due to growth in the number of foreclosures and lags in the recovery and sale of foreclosed properties. However, the ratio of sales to foreclosures may be over 100% for firms that liquidated properties foreclosed in previous years in addition to current foreclosures. Similarly, because of property foreclosed upon in previous years, some firms liquidated more than 100% of the value of property they foreclosed in 1985. However, the typical rate of liquidation was only 71%.

Finally, data provided in Table 16 show that the value realized from the sale of foreclosed properties varies widely. While some firms recover more than 100% of the value of the debt upon sale, a majority realized less than 100%, with a typical realization rate of 80%.

C. Chargeoffs

Overall, as shown in Table 17, gross chargeoffs reported by NSMA respondents in 1984, at nearly $60 million, were three-quarters as large as their total foreclosures. However, as is shown in Table 18, many respondents chargeoff expected losses on a loan as soon as foreclosures proceedings are started. Subsequent recoveries may reduce chargeoffs substantially. Thus, total net chargeoffs, at $41 million, equalled only one-half the value of foreclosures.

Table 17 shows that recoveries on gross chargeoffs ranged from 0 to 58%, and typically equalled 11% of gross chargeoffs. Net chargeoffs in 1984 ranged from 0 to 277% of average outstandings (the very high values applied to firms that serviced a large amount of loans relative to their outstandings). Net chargeoffs had a typical value of 0.25% in 1985 - which was substantially lower than chargeoff rates than in 1984 or 1983.

Net chargeoffs typically were highest for the small non-bank finance companies (at 0.71% of average outstandings), moderate for other finance companies (at approximately ½% of average outstandings), and lowest for thrift institutions, commercial banks, and mortgage bankers (where many institutions reported zero net chargeoffs). Interestingly, as one would expect, chargeoffs tended to be highest at the highest rate lenders (who also made the smallest loans on most generous terms) and lowest at lower rate lenders (who also made larger loans

on more restrictive terms).

IV. PROFITABILITY OF SECOND MORTGAGE LENDING

The ultimate objective of second mortgage lenders is to turn a profit by making sure that loan revenues exceed costs. In this section, we look at second mortgage lenders' overall profits, the relative importance of different types of revenues that accrue to second mortgage lenders, the cost of funds to second mortgage lenders and the methods by which they recognize income.

A. Income Accounting

Table 19 presents responses given to a question that asked each responding firm to describe its income-recognition accounting procedures. The responses indicate that accounting procedures vary significantly among firms. There are two major types of differences - cash vs. accrual accounting and actuarial (or simple interest) vs. sum-of-the-years digits (Rule of 78's) accounting for interest recognition.

The majority of lenders used accrual, rather than cash collection, methods to recognize earned income. However, many who did so had a provision whereby they either ceased interest accruals or reversed them when a loan became 60 to 90 days past due. In addition, many used sum-of-the-digits methods on precomputed loans and simple interest calculations on revolving loans. While actuarial or simple interest calculation procedures appear to be increasing - particularly on revolving credit lines and other adjustable loans - many lenders, still use the Rule of 78's (or sum-of-the-years digits) method to calculate accrued interest. The Rule of 78's can generate greater income if a second mortgage is prepaid - as is commonly done - but regulators may declare that it generates excessive prepayment penalties on long-maturity loans. Also, the rule of 78's is not sufficiently flexible to allow for adjustable rates.

B. Profits

Overall, as shown in Table 20, reporting second mortgage lenders recorded substantial profits

in 1985. Of the eleven respondents who reported both their equity and their profits applicable to their second mortgage portfolios, nine recorded a pretax return on equity of 19% to 208%. The median pretax rate-of-return on equity committed to second mortgage lending was 75%; that was substantially higher than the excellent median pretax return of 37% earned on respondents' overall operations.

Pretax income, recorded as a percentage of average loan balances outstanding, generated typical positive net income "spreads" that ranged from 0.82% of second mortgage average outstandings at commercial banks to 3% at large finance companies and more than 4% at mortgage bankers. Overall, the typical pretax rate of return on outstandings was 3.28%. That was less than the 4.2% spread earned by respondents on their total portfolios but, because second mortgages are large and relatively cheap to service (compared to small loans), in 1985 second mortgage lenders earned a far higher rate of return on their second mortgage operations than on their full portfolios.

C. Interest Costs & Revenues

The major reason 1985 was a profitable year was that second mortgage lenders' interest costs were substantially lower than their average interest revenues on their second mortgage loan portfolios. This is shown in Table 21. Lenders' typical average interest earning on their second mortgage loan portfolios ranged from 13.3% for commercial banks to 20.5% for small non-bank finance companies. The typical lender's interest return averaged 15.9% of second mortgage receivables. At the same time, lenders costs of funds typically were much lower, with a typical value of 9.6%.

While interest earnings on second mortgage lenders' entire portfolios usually were greater than their earnings on their second mortgages, per se, as previously noted, their profits on their other lending were not necessarily higher than their profits on second mortgages. Two reasons probably account for this: (1) lenders' operating costs (per dollar of credit outstanding) for making and servicing second mortgages are lower than the operating costs per dollar associated with smaller loans and (2) lenders may obtain significant non-interest revenues from origination fees and other revenue sources related to second mortgage loans.

Tables 22 and 23 provide more detail on revenues received by second mortgage lenders. Table 22 shows that major sources of revenues are interest, mortgage servicing fees, origination fees, and insurance and other revenues. Not all respondents provided detailed breakdown of their non-interest revenues, however. Thus, rather than show average figures, all available responses are presented (as ratios) in Table 22. The reported data indicated that the typical lender obtained origination fees equal to 0.665% of the average value of their loans outstanding and service fees equal to 0.88%. Both values were probably overstated somewhat, however, because most of the largest servicers and originators of second mortgages were mortgage banks and "small" finance companies that serviced and originated many more loans than they held. Thus, more detailed data on service fees and origination fee revenues are presented in Table 23. That table shows that origination fees on second mortgages ranged from 0.41% to 7.38% of originations, with a typical value of 1.67%. It also shows that loan servicing fees averaged between 0.12% and 3.889% of second mortgages serviced, with a typical reported value of 0.89%. These values are quite high relative to typical servicing fees on first mortgage loans.

Other sources of revenue reported in Tables 22 and 23 include insurance and other fees, which typically generated revenues equal to 0.79% of outstandings and 0.47% of originations, prepayment fees and brokerage fees. Prepayment fees contributed the least to profits, generating typical direct revenues equal to only 0.061% of outstanding. However, if their existence discouraged early prepayments, prepayment fees may have contributed substantially more to total profits by discouraging prepayments that would reduce interest revenues and squeeze lenders' interest rate spreads.

Brokerage fees revenues were reported by only a few lenders. They accounted for a typical return of 0.34% of loans sold and 0.29% of loans outstanding at various lenders.

V. STATE SPECIFIC DATA

Respondents to the 1986 questionnaire were asked to provide separate information on the characteristics of their second mortgage lending operations in each state. While not all could, or did, comply, between one-third and one-half of the respondents provided substantial data on their second mortgage lending in each individual state.

The statewide data provided included data on second mortgage loan outstandings, originations, delinquencies, foreclosures and average finance rates. Key data are summarized in Tables 24 and 25. Table 24 provides summary data on statewide outstandings, originations, average finance rates (APR's), delinquency rates (for 60 days and over), and foreclosure for all 50 states plus Washington, D. C., Puerto Rico, and, in one case, Ontario. Table 25 provides key ratios calculated either directly from state statistics or by comparing state statistics to similar growth and delinquency data for lenders' portfolios as a whole. The ratios are useful for analyzing such things as comparative loan rates, growth patterns, loan sizes and delinquency rates in the different states.

Major points of interest in the state specific data relate to (A) outstandings and originations average size, volume and growth; (B) loan rates; (C) comparative delinquency rates; and (D) foreclosure experience. Each is discussed in turn.

A. Outstandings, Originations & Growth

The data presented in Table 24 (Column I) show that there are vast differences in the amount of loan outstandings reported in each state - ranging from zero in Arkansas (where rate ceilings have traditionally restricted lending) to nearly $4 billion in California. States with the largest amounts of second mortgages originated or outstanding included, in order, California, Washington, Florida, Ohio, Pennsylvania, Colorado, Georgia, North Carolina, Arizona, Maryland, Virginia and South Carolina. States with the lowest amount of second mortgages reported outstanding included, in order, Arkansas, North Dakota, Maine, Alaska, Vermont, Washington, D. C., South Dakota, Wyoming, Nebraska, Montana and New Hampshire.

Growth rates of second mortgage lending could be approximately measured by computing the ratio of originations to outstandings. If a large portion of outstandings were acquired in the past year, then the growth rate of outstandings was assumed to be high (unless most lenders sold off their loans). States were classified as high growth or low growth states based on both the ratio of originations to outstandings (Table 24 - Column II) and the relative value of that ratio to the ratio of originations to outstandings for each lenders' entire portfolio (which showed growth in each state relative to each lenders' overall growth performance) (Table 25, Column IV). Based on both ratios, high growth states included, in order, North Carolina, Wisconsin, Masachusetts, Wyoming, Connecticut, Vermont, New York, Michigan, Pennsylvania and New Hampshire. Relatively high growth rates, as measured by the

comparative ratio of originations to outstandings were also indicated, in order, for the following states: Michigan, Pennsylvania, Vermont, Nebraska, Masschusetts, New Jersey, New Mexico, New York, Delaware, Ontario, West Virginia, Colorado, Maryland, Texas, Georgia, Tennessee and Montana. The lowest growth rates for second mortgage lending apparently occurred in the following states: Maryland, Utah, Rhode Island, Missouri and New Jersey. Overall growth rates in second mortgages appeared to be highest in the mid-Atlantic and New England regions, with rapid growth also occurring in a number of mid-western states. In contrast, relatively low growth was indicated by the comparative ratio for, in order: Washington, D. C., Nevada, Oregon, Alaska, North Dakota and Louisiana. Most of the western states had relatively low comparative growth ratios, possibly because their second mortgage markets had already matured and had, thereby, reduced their potential for high compound growth rates in the future. However, a number of plains states also experienced slow second mortgage growth, possibly becuase of economic problems caused by declining agriculture and energy prices.

B. Loan Rates & Sizes

Most second mortgage loan rates reported by respondents were lower than those reported in 1984. In 1985, APR's averaged between 15% and 17% in most states - about a percentage point lower than in 1984. The highest average rate in 1985 was 18.72% in Alaska, the lowest average rates were 12.65% (where second mortgages were very large) and 14.01% in Texas (where most second mortgages are purchase money mortgages or home improvement loans). The regions with relatively high rates (above 17%) included, in order: Alaska, Michigan, North Dakota, South Dakota, Nebraska, Ontario, Wyoming, Vermont and Montana. The states with relatively low rates (below 15¼%) included, in order: Washington, D. C., Texas, Tennessee, Florida, Massachusetts, Hawaii, New Hampshire and North Carolina. See Table 24, Column III and Table 25, Column I.

Variations in average loan sizes, between states, was much greater than variations in loan rates. The data presented in Table 25, Column III, shows that the average size of second mortgage loans originated in 1985 varied from $7,826 (in Alaska) to $125,250 (in Washington, D. C.). Second Mortgages were also quite large in California (at $37,926), in Hawaii (at $34,982) and in Nevada (at $26,767). They averaged below $15,000 in Alaska, North Dakota, Nebraska, Michigan, South Dakota, Missouri, Mississippi, Kansas, Kentucky, Alabama, Oklahoma and Delaware.

C. Comparative Delinquency Rates

Average delinquency rates varied widely across states, as shown in Table 24, Column IV. This was confirmed by an analysis of comparative delinquency rates in each state relative to average delinquency rates experienced by the same lenders in their overall second mortgage lending operations (shown in Table 25, Column V). For the second year in a row, the highest delinquency rates (above 10% in 1985) were observed in Wyoming. Other states with high delinquency rates were, in order, Oregon (5.46%), Idaho (5.37%), Montana (4.98%), Washington (4.65%), Iowa (4.51%), Hawaii (4.27%), Nebraska (4.27%) and Utah (4.01%). Other states with delinquency rates over 3% were Alaska, Colorado, Louisiana, Nevada, Kansas, California and West Virgina. Many of the highest deliquency rates were clustered in the nation's west and in its "breadbasket," possibly because of the depressed state of the agriculture, mining and energy industries. The lowest average delinquency rates (below 1% for 60 days or over) were reported for New Hampshire (0.57%), Delaware (0.63%), Massachusetts (0.83%), Tennessee (0.91%), Georgia (0.99%), Vermont (1.00%), New York (1.07%) and Connecticut (1.16%). Maryland, Rhode Island and Kentucky also had rates below 1.5% - as the nation's lowest second mortgage delinquency rates tended to be concentrated where home prices were rising fastest - in the Northeastern and Atlantic seaboard areas.

Overall, the comparative delinquency ratio data (Table 25, Column V) indicate that the highest relative deliquency rates (at least 30% above the same lenders' experience in other states) occurred, in order, in Wyoming, Iowa, Texas, Oklahoma, Washington, D. C., Oregon, Nebraska, Idaho, Missouri, Montana, Wisconsin, New Jersey and Indiana. The lowest relative deliquency rates (below 50% of the same lender's overall experience) occurred, in order, in New Hampshire, Rhode Island, Connecticut, Delaware, Michigan and Vermont.

D. Foreclosure Experience

Data on foreclosures reported in each state are presented in Table 23, Column V. Overall, the absolute number of reported foreclosures (Table 24, Column V) was highest in California, Florida, Colorado, Indiana, Georgia, Ohio, Oklahoma, Alabama, Arizona and Kansas. However, the raw numbers can be very misleading because the amount of loans and the number of respondents vary greatly from state to state.

VI. CONCLUSIONS

This survey reports on the 1986 NSMA Second Mortgage Questionnaire Data compiled from the responses of sixty-eight respondents provide useful insights into the following aspects of the second mortgage markets: loan outstandings, originations and growth, loan terms and sizes, second mortgage liquidation rates, the use of secondary markets, revolving credit, adjustable rate and balloon notes, indirect lending and the use of private mortgage insurance, second mortgage delinquency, foreclosure and loss rates and the profitability of second mortgage lending. In addition, the survey provides state by state data on second mortgage loan originations, outstandings, growth, loan sizes, finance rates, delinquency rates and foreclosures.

DISCLAIMER

The NSMA Statistical Report is designed to provide information for our members and the public. While we believe the information contained is accurate, the National Second Mortgage Association does not represent the correctness of any information provided.

TABLE 1: CHARACTERISTICS OF 1986 NSMA QUESTIONNAIRE RESPONDENTS

Finance Companies, total			29
Affiliates of Commercial Banks		12	
Holders of over $100 million in seconds (LBF Co)	7		
Holders of under $100 million in seconds (SBF Co)	5		
Other Finance Companies		17	
Holders of over $100 million in seconds (LF Co)	8		
Holders of under $100 million in seconds (SF Co)	9		
Commercial Banks			19
Thrift Institutions (Savings Banks and Savings & Loans)			6
Mortgage-Bankers and Related Institutions			14
Self-defined mortgage banks		12	
Mortgage "broker" and service		1	
Issuer and Servicer of Mortgage-backed securities		1	
TOTAL *			68

*Includes all responses providing numeric data that were received before October 10, 1986. However, data from responses received after early September are not included in all tables.

TABLE 2
KEY SUMMARY STATISTICS ON 1985 SECOND MORTGAGE ACTIVITY

A.	**Second Mortgages Serviced And Outstanding At Year-End, 1985**		
1.	Number of Second Mortgages Outstanding (Questionnaire)	985,679	(63)
2.	Number of Second Mortgages Serviced (Questionnaire)	77,852	(21)
3. a.	Total Number of Second Mortgages Serviced and Outstanding (Questionnaire)	1,063,531	(63)
b.	Total Number of Second Mortgages Serviced and Outstanding (Member Form)	1,304,293	(98)
4.	Net* Value of Second Mortgages Outstanding (Questionnaire)	$16,751,879,487	(64)
5.	Value of Second Mortgages Serviced (Questionnaire)	$1,087,896,499	(22)
6. a.	Total Value of Second Mortgages Serviced and Outstanding (Questionnaire)	$17,839,775,986	(64)
b.	Total Value of Second Mortgages Serviced and Outstanding (Member Form)	$23,500,000,000	(98)
7.	Average Size of Second Mortgage Outstanding (Questionnaire)	$16,995	(63)
8.	Average Size of Second Mortgages Held by Typical Holder (Questionnaire)	$17,355	(56)
9.	Average Size of Second Mortgages Serviced (Questionnaire)	$13,300	(23)
10.	Average Size of Second Mortgages Serviced by Typical Servicer (Questionnaire)	$12,394	(17)
B.	**Originations**		
1. a.	Number of Second Mortgages Originated in 1985 (Questionnaire)	475,192	(66)
b.	Number of Second Mortgages Originated in 1985 (Member Form)	642,477	(98)
2 a.	Net* Value of Second Mortgages Originated in 1985 (Questionnaire)	$7,708,747,956	(66)
b.	Net* Value of Second Mortgages Originated in 1985 (Member Form)	$12,000,000,000	(98)
3. a.	Average Size of Net Originations (Questionnaire)	$16,222	(66)
b.	Average Size of Net Originations (Member Form)	$18,677	(98)
C.	**Revolving Credit**		
1.	Outstanding, Number of Second Mortgages (Questionnaire)	192,371	(33)
2.	Outstanding, Value of Second Mortgages (Questionnaire)	$3,574,209,669	(32)
3.	Outstanding, Average Size (Questionnaire)	$18,892	(31)
4.	Originations, Number of Second Mortgages (Questionnaire)	160,586	(25)
5.	Originations, Value of Second Mortgages (Questionnaire)	$1,903,703,589	(26)
6.	Originations, Average Size (Questionnaire)	$11,812	(25)
D.	**Foreclosures & Chargeoffs, 1985**		
1. a.	Number of Foreclosures (Questionnaire)	2,161	(45)
b.	Number of Foreclosures (Member Form)	4,707	(98)
2.	Value of Foreclosures (Questionnaire)	$81,543,277	(44)
3.	Gross Chargeoffs (Questionnaire)	$59,543,311	(49)
4.	Net Chargeoffs (Questionnaire)	$40,680,144	(48)
E.	**Foreclosures As % Of 1985 Year-End Outstandings**		
1.	Average For All Respondents (#/#) (Member Form)	0.36%	(98)
2. a.	Average For All Respondents (Total # Foreclosures/Total # Out) (Questionnaire)	0.22%	(68)
b.	Average For All Respondents ($/$) (Total Foreclosures/Total Outstandings) (Questionnaire)	0.49%	(68)
3.	Matched Data for Individual Firms, Foreclosures Rates		
a.	Typical Value (#/#) (Questionnaire)	0.33%	(39)
b.	Average Value Per Respondent (#/#)	0.93%	(39)
c.	Average Value Per Respondent ($/$)	1.38%	(37)

* In a few cases where "net" receivables data were unavailable, gross statistics were substituted.

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TABLE 2A

STATISTICAL INFORMATION FROM MEMBERS

	1985	1984	1983	1982	1981	1980
NUMBER OF OPEN SECOND MORTGAGES	1,304,293	1,219,242	1,223,990	1,378,110	1,260,000	895,000
NET RECEIVABLES OWNED OR CURRENTLY SERVICED:	$23.5 B	$19.2 B	$19.3 B	$16 B	$16 B	$10 B
NUMBER OF ACCOUNTS ORIGINATED IN PAST YEAR:	642,477	519,348	503,735	529,195	1,338,000	397,000
NET AMOUNT OF ORIGINATION:	$12 B	$10.5 B	$9.7 B	$7.8 B	$5.5 B	$5.9 B
AVERAGE SIZE OF LOAN ORIGINATED:	$18,677	$20,272	$19,324	$14,914	$4,110	$14,861
NUMBER OF SECOND MORTGAGE ACCOUNTS FORECLOSED TO TITLE TRANSFER:	4,707	4,424	5,074	6,735	5,288	2,580
% OF ACCOUNTS FORECLOSED TO TITLE TRANSFER:	.36%	.36%	.4%	.48%	.4%	.3%
NUMBER OF ACTIVE MEMBERS REPORTING:	98	88	92	102	102	120

NOTE: The figures on this report were updated at NSMA headquarters as dues payments and vouchers were received. The statistics are as of 10/20/86.

TABLE 3: U.S. SECOND MORTGAGE LOAN TERMS, 1985

RATES CHARGED (%)

1985 Rates Charged	Thrifts	C. Banks	M.Bankers	SHF Co.	LHF Co.	SHBF Co.	LHBF Co.	All
Highest Rate	14.75	24.00	42.00	27.50	27.00	22.00	20.00	42.00
Lowest Rate	9.55	8.00	10.35	5.00	12.00	13.00	10.64	5.00
Typical Avg. Rate	12.00	13.41	15.51	18.75	16.60	19.68	15.50	15.35
(# Responses)	(5)	(13)	(12)	(6)	(7)	(1)	(5)	(54)

LOAN/VALUE RATIOS

Average Ratio of Loans to Appraised Equity

High	80.00	80.00	85.00	70.00	70.00	75.00	85.00	85.00
Low	65.00	50.00	65.00	70.00	67.00	75.00	73.00	50.00
Typical	75.00	72.50	71.33	70.00	68.50	75.00	75.00	72.50
(#)	(4)	(10)	(11)	(1)	(2)	(1)	(5)	(34)

Maximum Ratio of All Loans to Appraised Value of Equity (CLTV ratio)

High	90.00	85.00	95.00	90.00	90.00	85.00	110.00	110.00
Low	75.00	70.00	75.00	80.00	75.00	70.00	80.00	70.00
Typical	80.00	80.00	90.00	80.00	75.00	80.00	85.00	80.00
(#)	(5)	(13)	(9)	(3)	(6)	(3)	(6)	(45)

MATURITY

Average Written Maturity of New Loans

High	120	191.3	180	146	160.2	180	170	191.3
Low	88	48	37	60	103	84	82.9	37
Typical	104	116.5	136	103	120	134	115.	119.5
(#)	(2)	(12)	(9)	(2)	(5)	(4)	(6)	(40)

Average Actual Maturity of New Loans

High	163.5	96	150.03	60	86	99	84	163.5
Low	48	19.2	36	60	37.7	33	35	19.2
Typical	79.	42.	134.	60	43.	66	48	54.5
(#)	(3)	(7)	(9)	(1)	(3)	(2)	(5)	(30)

Average Size of Originations in 1985

High	$36,016	$57,463	$166,674	$48,311	$25,391	$33,333	$44,841	$166,674
Low	15,107	7,201	7,093	5,751	5,813	13,962	7,075	5,751
Typical	19,014	19,285	25,616	12,830	19,355	24,325	19,050	20,315
(#)	(5)	(13)	(12)	(6)	(8)	(4)	(6)	(54)

Average Size of Business Originations Last Quarter, 1985

High	--	$25,004	$191,680	$414,318	$541,897	--	--	$541,897
Low	--	12,318	17,191	21,696	137,270	--	--	12,318
Typical	N/A	21,889	27,395	--	--	N/A	$139,564	27,395
(#)	(0)	(3)	(6)	(2)	(2)	(0)	(1)	(14)

Average Size of Household Originations Last Quarter, 1985

High	--	$68,458	$230,833	$43,154	$30,188	$45,352	$76,210	$230,833
Low	--	5,478	7,092	9,294	4,707	14,179	18,790	4,707
Typical	$33,946	20,313	27,776	14,269	21,289	26,125	27,275	23,283
(#)	(1)	(13)	(11)	(5)	(6)	(4)	(5)	(45)

Percent of Second Mortgages with Private Mortgage Insurance

High 14.0% Low 0 Typical 0 Number Non-Zero 8

Percent of Second Mortgages Used for Purchase Money

High 20% Low 0 Typical 0 Number Non-Zero 11

TABLE 4: GROWTH IN SECOND MORTGAGE LENDING DURING 1985

I. GROWTH IN ORIGINATIONS

A. Number of Loans Originated (37 of 54 were positive)

	Thrifts	C. Banks	M.Bankers	SHFinCo.	LHFinCo.	SBFCo.	LBFCo.	Overall
High	+128.4%	+1210. %	+168.8%	+68.1%	+154.8%	+27.7%	+68.2%	+1210. %
Low	-29.8%	-41.6%	-60.4%	-11.6%	-35.2%	-75.7%	-15.0%	-75.7%
Typical	+30.7%	+7.5%	+20.6%	-0.2%	+6.9%	+13.4%	+25.6%	+11.0%
# Responses	4	16	11	6	8	3	6	54

B. Value of Loans Originated (36 of 50 were positive)

High	+130.6%	+5615. %	+229.6%	+140.4%	+29.8%	+35.0%	+57.3%	+5615. %
Low	-24.9%	-21.8%	-72.3%	-2.1%	-28.5%	-72.6%	-14.5%	-72.6%
Typical	+33.0%	+9.2%	+20.4%	+1.2%	+7.0%	+25.7%	+16.0%	+11.0%
# Responses	5	12	11	5	8	3	6	50

C. Growth in Average Size of New Loans (34 of 48 were positive)

High	+13.5%	+336.3%	+22.6%	+43.0%	+19.2%	+12.5%	+19.9%	+336.3%
Low	+1.0%	-27.7%	-4.8%	-20.1%	-68.5%	+5.7%	-20.8%	-68.5%
Typical	+6.4%	+4.3%	+10.6%	+0.3%	+7.5%	+10.8%	-1.4%	+5.8%
# Responses	4	12	10	5	8	3	6	48

II. Growth in Outstandings

A. Number of Loans Outstanding (43 of 53 were positive)

High	+67.0%	+1780. %	+390. %	+586. %	+47.1%	+11.2%	+37.0%	+1780. %
Low	+10.2%	-19.5%	-20.8%	-6.6%	-17.1%	+5.7%	-4.7%	-20.8%
Typical	+30.2%	+15.4%	+7.9%	+6.6%	+6.5%	+9.5%	+10.2%	+8.9%
# Responses	5	18	7	6	8	3	6	53

B. Net Value of Loans Outstandings (43 of 51 were positive)

High	+84.5%	+1328. %	+517. %	+562. %	+35.6%	+20.9%	+63.0%	+1328. %
Low	-5.9%	-3.0%	-14.4%	-9.6%	+4.3%	+5.4%	-8.6%	-14.4%
Typical	+45.2%	+28.6%	+21.9%	+16.0%	+19.4%	+18.8%	+18.3%	+22.0%
# Responses	5	16	7	6	8	3	6	51

C. Growth in Average Size of Loans Outstanding (37 of 50 were positive)

High	+15.3%	+107.6%	+48.5%	+22.6%	+25.7%	+8.7%	+26.5%	+107.6%
Low	-23.9%	-24.1%	-11.9%	-11.1%	-9.4%	-0.3%	-13.5%	-24.1%
Typical	+11.5%	+7.0%	+13.0%	+3.9%	+12.3%	+8.4%	+5.4%	+8.4%
# Responses	5	15	7	6	8	3	6	50

TABLE 5: SECOND MORTGAGE ORIGINATIONS AND RENEWALS, 1985

Number of Originations in 1985 475,192 (66)

Net Value of Originations $7,708,747,956 (66)

Overall Average Size of Originations $16,222

Average Size of Second Mortgage Originations, by Firm Type

	Net Originations	Revolving Originations
Thrifts	$15,107 18,993 19,014 = 25,760 36,016	$14,398 28,477 31,998 32,947
C. Banks	$ 7,201 10,507 11,238 13,658 14,207 16,222 19,286 21,322 32,020 33,482 57,464	$ 6,192 12,366 12,992 16,000 20,662 28,000 30,924 34,668 41,441 44,333 56,301 63,155 66,811
M.Bankers	$ 7,093 11,321 20,168 24,012 24,224 25,527 25,704 26,322 29,294 33,434 59,286 166,674	$49,503
SHFin.Co.	$ 5,751 8,089 10,655 15,005 22,182 48,311	--
LHFin.Co.	$ 5,812 6,622 16,653 18,394 20,315 20,838 21,075 25,391	$ 4,582 24,015 27,233
SBFin.Co.	$13,962 15,606 33,044 33,333	$46,894
LBFin.Co.	$ 7,074 13,163 15,274 22,825 33,429 44,841	$27,233 35,175 55,025
Overall (Typical)	$20,242	$30,924

	Percentage of Originations that are: Renewals (#)	Renewals ($)	New Money ($)
Thrifts	--	--	--
C. Banks	0,6.0,10.4,16.1 23.8,41.6	3.1,13.6,15.2,16.8, 28.6	71.4,83.2,84.8 97.2,100.0
M.Bankers	1.4,13.7,16.8,19.9	1.7,16.4,17.3,20.2	79.8,83.6,98.3,100.0 100.0,100.0,100.0
SHFin.Co.	23.4,64.2	14.5,23.3	76.7,85.5
LHFin.Co.	1.2,2.8,5.6,29.3	1.5,2.8,17.3,18.4	81.6,82.7,97.2,98.5
SBFin.Co.	51.0	17.5,29.9	70.1,82.6
LBFin.Co.	12.7,58.8	9.1,15.7,46.0	86.3,90.9
Overall (Typical)	16.5%	16.6%	85.9%

TABLE 6: PORTFOLIO LIQUIDATION RATES

I. Net Liquidation Rates -- Unadjusted for Purchases and Sales

	Thrifts	C.Banks	M.Bankers	SHFin.Co.	LHFin.Co.	SBF.Co.	LBF.Co.	Overall
High	--	53.5%	63.0%	104.3%	43.4%	42.0%	42.7%	104.3%
Low	--	6.8%	10.9%	33.5%	26.1%	22.6%	18.3%	6.8%
Typical	15.1%	27.8%	26.2%	47.4%	33.9%	32.3%	31.5%	33.5%
# Responses	1	11	4	5	8	2	4	35

II. Net Liquidation Rates -- Adjusted for Purchases and Sales

High	--	53.5%	63.0%	49.2%	44.2%	42.0%	40.3%	63.0%
Low	--	11.9%	10.9%	33.5%	26.2%	32.8%	21.6%	11.9%
Typical	47.0%	39.7%	26.3%	41.4%	38.3%	37.4%	29.3%	33.7%
# Responses	1	7	5	2	5	2	3	25

III. Net Liquidation Rates --·Adjusted for Purchases, Sales, and Renewals

High	--	33.2%	63.0%	--	28.4%	25.6%	28.8%	63.0%
Low	--	11.9%	10.9%	--	16.5%	24.3%	23.3%	10.9%
Typical	--	26.1%	28.9%	35.6%	22.4%	25.0%	26.0%	26.4%
# Responses	0	4	5	1	2	2	2	16

NOTE: The data for I. above were calculated by calculating that liquidations equalled extensions minus the charge in receivables outstanding and dividing the result by the average value of loans outstanding during the year. The data for II. were generated similarly except net purchases (purchases minus sales) are added to the net extensions figure before the calculation is made. The data for III. were calculated from those presented in II. by substracting the value of renewals from the extensions (after extensions are adjusted for purchases and sales).

TABLE 7: SECONDARY MARKET ACTIVITY IN SECOND MORTGAGE, 1985 (Number of Respondents)

	Value or Number	Typical Growth Average per Respondent	Typical Growth (%) from Previous Year
I. Second Mortgages Purchased			
Net Dollar Amount	$676,512,371(18)	$37,584,021	20.9%(13)
Gross Dollar Amount*	27,565,678(3)	9,188,559	
Number of Loans	41,468(17)	1975	12.1%(14)
Average Net Loan Size per Respondent	$19,396(17)	--	
Net plus Gross Total Value	$704,078,049(21)	$33,527,526	
II. Second Mortgages Sold			
Dollar Amount	$485,754,645(14)	$34,696,760	18.4%(12)
Number of Loans	10,190(11)	926	6.3%(9)
Average Loan Size per Respondent	$23,550(11)	--	
III. Second Mortgages Serviced			
Net Dollar Amount	$668,593,123(17)	$39,329,007	-16.7%(15)
Number of Loans	63,311(19)	3,724	-3.9%(16)
Average Net Loan Size per Respondent	$19,928(17)	--	
Net plus Gross Total Value*	$803,778,323(19)	$42,304,122	--

IV. Servicing Fees on Second Mortgages	Typical	High	Low
As % of Second Mortgages Serviced	0.89%(8)	3.89%	0.12%
Per Second Mortgages Serviced	$222(9)	$712	14

* Gross values are included only for those (few) firms that provided gross receivables data but no net receivables data.

TABLE 8: REVOLVING LENDING

I. Second Mortgage Lenders' Holdings of Revolving Second Mortgages

	Year-end 1985	Year-end 1984*
Value of Loans Held	$3,555,940,469 (2,618,738,870)*	$1,249,285,145
# of Loans Held	188,224 (126,952)*	74,744
# of Holders	31	25
Average Size of Loan per Respondent	$21,809	$20,719

II. Revolving Loan Originations

Value	$1,903,703,589 (1,785,885,709)*	$867,376,455
# of Loans	160,586 (157,793)*	67,767
# of Originators	26	20
Average Size of Loan per Respondent	$32,453	$28,750

III. Percentage Growth in Revolving Second Mortgages, 1984 to 1985

	Outstanding*		Originations*	
	#	$	#	$
High	+3152. %	+3747. %	+3052. %	+2865. %
Low	-28.1%	-30.5%	-93.1%	-76.5%
Typical*	+83.9%(25)	+115.7%(25)	+49.5%(19)	+62.0%(20)
Average*	-69.8%*	+109.6%*	+132.8%*	+105.9%*

*Includes only responses of 1985 respondents who reported both year-end 1985 and 1984 levels of outstandings and originations

TABLE 9: ADJUSTABLE RATE AND BALLOON SECOND MORTGAGES

	Volume		Typical Average Size	Typical Growth in	
	$ Value	# of Loans		$ Value	# of Loans
1985	$3,585,408,947 (35)	222,860 (33)	$29,130 (33)	60.37% (25)	18.7% (23)
1984	$2,494,485,225 (24)	99,721 (23)	$27,739 (22)	67.86% (14)	80.05% (15)
1983	$1,777,041,937 (21)	55,942 (16)	$33,843 (17)	290.88% (5)	197.01% (5)
1982	153,968,552 (6)	5,053 (6)	$32,718 (5)	--	--

II. Types of Rate Adjustment, by Type of Lender (Some used multiple indexes, See Table 10)

	# (and %) Respondents of each type that offered ARMs	Prime Rate	Treasury Rates	FHLB Cost of Funds Index	FHLB Mortgage Index	CD Rates	Other
Thrifts	5 (100%)	2	4	-	-	-	-
C. Banks	14 (74%)	7	6	-	2	3	2
M. Banks	6 (50%)	1	5	2	-	-	-
SHF Co	2 (29%)	2	-	-	-	-	-
LHFin. Co.	6 (75%)	5	2	-	-	-	-
SHBFin. Co.	2 (25%)	2	-	-	-	-	-
LHBFin. Co	5 (83%)	5	1	-	-	1	-

III. Balloon Mortgages

	Volume		Typical Average Size	Typical Growth in	
	$ Value	# of Loans		$ Value	# of Loans
1985	$1,711,167,731 (27)	72,638 (27)	$25,636 (26)	-5.8 % (24)	-3.0 % (23)
1984	$451,162,149 (22)	14,931 (21)	$31,022 (21)	49.47% (14)	26.74% (13)
1983	$435,345,122 (22)	11,457 (18)	$27,987 (19)	34.40% (7)	10.16 (5)
1982	180,445,862 (7)	3,072 (5)	$26,423 (5)	--	--

TABLE 10: RATE INDEXES USED TO ADJUST RATES ON SECOND MORTGAGES, 1985

I. COMMERCIAL BANKS

A. Average of NY Prime for one month prior to billing date.
B. Wall Street Journal Prime Rate.
C. Bank's prime rate + 2%.
D. 1. 3-month T-bill rate.
   2. Federal Home Loan Mortgage Index.
E. Auction average on a discount basis for 91-day U.S. Treasury Bills adjusted.
F. Prime plus 2% on revolving line of credit.
G. 91-day T-bill rate.
H. 1. weekly average of 6-month jumbo CD.
   2. weekly average of 5-year Treasury security.
I. 3-month CD Index as published by the Federal Reserve.
J. Bank's Prime rate
K. Several (1) Internally set,
   (2) 90 day large CD rates published by Fed,
   (3) 2-year treasury rates published by Fed.
L. Wall Street Prime.
M. 1. 3-month Treasury-bill.
   2. Federal Home Loan Mortgage Index.
N. Bank's consumer base rate or bank's prime rate.

II. THRIFT INSTITUTIONS

A. 1. On revolving -- monthly adjustment -- Prime + 2%.
   2. On closed-end -- 1 year T-bill rate.
B. New York Prime
C. 6-month T-bill
D. The 91-day Treasury bill -- Changes every Monday.
E. Weekly average of Treasury Securities adjusted to a constant maturity of one year.

III. MORTGAGE BANKS

A. Weekly yield on U. S. Teasury securities adjusted to a constant maturity of one year.
B. Weekly average of U. S. Treasury securities adjusted to a constant maturity of one year.
C. Federal Home Loan Bank of San Francisco -- 11th District (cost of funds).
D. Variable Rate -- Based on Treasury Securities.
   Variable Rate -- Based on 11th District Cost of Funds.
E. Treasury bill rate.
F. Either 6 month T-bills or Bank of America Prime.

TABLE 10: (continued)

IV. SMALL-HOLDER FINANCE COMPANIES

A. Fixed Percentage above bank prime lending rate.
B. Based on prime rate as of 15th of the month.
* C. Prime rate as published in the Wall Street Journal
* D. Monthly average prime rate as published by the Federal Reserve plus 2-1/2%.

V. LARGE-HOLDER FINANCE COMPANIES

A. Prime rate
B. Some rates vary with U. S. prime rate.
C. Bank of America Prime Rate.
D. 6 indexes:
1. Change in 6 month T-bill rate since the loan was originated.
___ 2. Change in the weighted average of 6 month T-bill and 10 year, treasury T-bond rate since the loan was originated.
3. Change in the prime rate since the loan was originated.
4. Change in the one-year T-bond rate since the loan was originated.
5. Change in the three-year T-bond rate since the loan was originated.
6. Change in the 5-year T-bond rate since the loan was originated.
E. Monthly average yield on U. S. Treasury Security adjusted to a constant maturity of one year.
F. Prime Rate
*G. Bank prime rate
*H. Prime Rate
*I. Based upon prime lending rate, 3 month, 1, 2, 3, and 5 year Treasury bills, and 3 month certificates of deposit.
*J. Average prime rate of N.Y. City Banks as published in Wall Street Journal.
*K. Wall Street Journal Prime Rate.

* Indicates finance company subsidiary of a bank holding company.

TABLE 11: INDIRECT LENDING AND SUBORDINATION OF SECOND MORTGAGES, 1985

I. Average Size of Direct and Indirect Loans

	Outstandings		Originations	
	Direct (25)	Indirect (15)	Direct (38)	Indirect (18)
Thrifts	17,398 (1)	23,230 (1)	2,669 7,202 (2)	6,073 34,625 (2)
C. Banks	4,894 5,860 8,666 12,455 16,960 17,398 20,824 23,434 21,392 23,557 24,762 (4) (9)	3,632 7,093 23,230 23,428 26,296 (5)	3,095 5,399 8,589 11,238 13,658 16,371 19,286 24,903 31,582 32,020 33,482 55,033 57,585 (13)	6,909 11,156
M.Bankers 24,080	9,409 20,085 20,733 11,154 24,558 25,003 25,527 28,820 (6)	11,154 20,163 24,361 26,946 28,821 102,336 29,310 30,592	69,586 166,674 (8)	10,112 20,168 29,310 (4) 50,056 70,050 (6)
SHFin.Co.	7,038 (1)	23,915 (1)	8,225 (1)	5,761 24,933 (2)
LHFin.Co.	5,959 14,150 15,215 16,835 (4) (2)	5,237 23,035 (2)	5,000 5,813 16,653 18,973 20,838 22,917 25,391 (7)	24,104 53,023
SBFin.Co.	33,357 (1)	--	13,962 33,044 (2)	--
LBFin.Co.	16,174 17,050 36,906 1,794 26,916 (3) (2)	2,823 33,142 (2)	7,613 13,962 22,825 33,044 36,374 (5)	

II. Indirect Second Mortgages as Percentage of Outstandings:

	Outstandings		Originations	
	Direct	Indirect	Direct	Indirect
Thrifts	0,0.0,58.9	0,0.0,67.4	0,0.55.7,86.7	0,0.13.1,83.3
C. Banks	0,0,0,0,0,0,0,0,0,0 5.5,7.7,41.1	0,0,0,0,0,0,0.0,0 0,0,1.0,9.8,32.3	0,0,0,0,0,0.0,0,0 0,0.3,9.5	0,0,0,0,0.0,0,0 0.1,21.2
M. Bankers	0,0,0,72.2,90.4	0,0,0.0,64.6,81.3	0,0,0,0,0,2.8, 9.6,14.7,96.7,100, 100	0,0,0,0,5.1 9.7,17.7,96.8,100, 100
SHFin. Co.	0.100	0.100	100.100	100.100
LHFIN. Co.	0,0.15.2,21.4	0,0.7.9,21.0	0,0,0,4.0,26.2	0,0,0.10.1, 31.0
SBFin. Co.	--	--	0	0
LBFin. Co.	0.24.8	0,22.8,91.4	0.31.1	0,35.1,100

TABLE 11 (continued)

III. Percent of Second Mortgages Taken as:

	First Lien (#)	First Lien($)	Third or Greater Lien ($)	Third or Greater Lien ($)
Thrifts	9.1	9.1	0.15	0.0
C. Banks	0,0,10.9 11.7,17.9	0,0,8.9 9.6,9.7,89.3	0	0,0,0,0.3 10.7
M. Bankers	0,0,0,0, 2.0,6.0,20.2,75.5	0,0,0,0.2.0 6.0,18.6,65.7	0,0,0,0.0,0 0,2.6	0,0,0,0.0,0, 0,5.1
SHFin. Co.	0	0	0	0
LHFin. Co.	0	0	0	0
SBF Co.	0.42.3	0.47.2	0.0	0.0
LBF Co.	0.02	0.01	0	0

TABLE 12: PRIVATE MORTGAGE INSURANCE POLICIES OF SECOND MORTGAGE LENDERS, 1985

I. COMMERCIAL BANKS

A. PMI required over 80% LTV ratio; however, maximum LTV on second mortgages is 80%.
B. Do not require PMI.

II. THRIFT INSTITUTIONS

A. None
B. A policy that insures against a loss by a lender in the event of default by a borrower.
C. Over 80% combined loan to value, owner occupied.
Over 65% combined loan to value, non-owner occupied.

III. MORTGAGE BANKERS

A. Owner occupied purchase money loans with a CLTV qreater than 85%, but no more than 90%.
B. Loans funded if insurance certificate is issued by insurer.
C. Standard UGI policy which insures credit against credit loss on a loan by loan basis.
D. None
E. When combined LTV exceeds 80% on owner occupied property, we can go to 80% with PMI.

IV. SMALL FINANCE COMPANIES

A. Do not use PMI insurance.
B. Not applicable
C. Not applicable
D. Residential loan and a CLTV of more than 80%.
Non-owner occupied and a CLTV of more than 65%.

V. LARGE-HOLDER FINANCE COMPANIES

A. Company requires private mortgage insurance in certain states when we feel customer's credit is of good quality and the amount of loan exceeds 75% of the appraised value of the property. This coverage made available between 75% to 85% of appraised value of property.
B. PMI is required on all 2nd mortgages where the loan-to-value ratio is 85%.
C. Required for LTV over 85%.
*D. The company no longer requires PMI insurance.
*E. None required
*F. None

TABLE 13: SECOND MORTGAGE DELINQUENCY RATES, YEAR-END 1985

Total Delinquencies over 60 Days (%)

	Based on Value Delinquent	Based on Number Delinquent
Thrifts	0.20,0.28,0.41,0.76.2.91	0.20,0.41,0.49,0.60,1.90
C. Banks	0,0,0.22,0.43,0.55,0.65,0.74,0.76 0.85,0.87,1.36,1.45,1.66,2.9,3.15	0,0,0.12,0.21,0.53,0.59,0.68,0.75 0.81,0.81,0.91,1.25,1.69,3.20,3.81
M. Bankers	0,0,0.19,0.86,1.28,1.58.3.07, 3.27,4.46,6.76,15.79	0,0,0.20,1.13,1.38,1.38.3.79,3.80 7.4,7.90,10.46
SHFin.Co.	0.97,2.03,3.15.4.07.6.21 9.29	0.31,1.87,3.22.5.17.6.47,7.71
LHFin.Co.	0.77,1.23,1.38.2.05,3.30,5.85	0.84,1.17,3.40.3.91,7.27
SBFin.Co.	0.33,0.46,0.69	0.40,0.48.0.75
LBFin.Co.	0.79,1.07,1.92.2.93,3.70	1.25,1.92,1.92,3.38,3.70
Typical (overall)	1.23%	1.21%

Delinquencies from 60-89 Days (%)

	Based on Value Delinquent	Based on Number Delinquent
Thrifts	0.01,0.03,0.08,0.19,0.81	0.05,0.10,0.12,0.22,0.53
C. Banks	0,0,0.06,0.18,0.23,0.27,0.30, 0.40,0.43,0.51,0.79,1.21,1.61	0,0,0.04,0.21,0.22,0.24,0.30,0.38 0.38,0.40,0.44,0.76,0.79,0.85,0.93,1.33
M. Bankers	0,0,0.10,0.34,0.47,0.53.0.54,0.68 0.87,1.07,15.79	0,0,0.10,0.30,0.51,0.56.0.80.0.89,0.92, 1.09,10.46
SHFin.Co.	0.60,1.01,1.10.1.36.1.60, 1.80	1.04,1.27,1.29.1.34,1.48,5.64
LHFin.Co.	0.28,0.30.0.43.0.83	0.30,0.30.0.50.1.20
SBFin.Co.	0.07,0.28,1.25	0.09,0.24.0.80
LBFin.Co.	0.26,0.31,0.56.0.61,1.42	0.54,0.56,0.59,0.84,1.46
Typical (overall)	0.43%	0.51%

TABLE 14: FORECLOSURE POLICIES OF SECOND MORTGAGE LENDERS, 1985

I. COMMERCIAL BANKS

A. Loan 90 days past due
B. Foreclosure proceedings are begun on a 30-day status account
C. See Table 18 - response #I.D.
D. After every effort has been made to collect a loan, foreclosure is then an acceptable step to recover the bank's investment.
E. Ninety day delinquency and/or after review by management.
F. We would send "Demand letter" when loan becomes 3 months past due and if not paid current, we will begin legal advisement.
G. From time to time it is necessary to start an action that can result in a writ of execution being issued for Real Estate. This action naturally depends on a great many variables that are taken into consideration such as prior liens, Federal liens, municipal liens, value of Real Estate, etc., etc.
H. Credits over 180 days past due
I. At 90 days delinquent, account is analyzed for current collateral position and a decision is made to foreclose or not.
J. Policy defined on individual basis.
K. Foreclosures are currently handled on a city by city level, therefore, these figures are difficult to obtain.
L. The account is worked by the Adjustment Department. At 60 days delinquent, the regional office is contacted to decide whether to foreclose. If the decision is yes, the regional office will then handle the sale.
M. Only as a last resort and balance is more than 120 days delinquent.
N. 90 day delinquent.

II. THRIFT INSTITUTIONS

A. Customer delinquent 60+ days past due and will not make arrangements to bring current.
B. When all collection efforts are exhausted and loan balances are jeopardized. Proceed to secure property for recovery.
C. Loans delinquent for 120 days or more with no arrangements to bring current are candidates for foreclosure.
D. When an account cannot be collected by normal means and it is over 60 days delinquent foreclosure is started. It takes 60 to 90 days to complete the foreclosure.
E. Forced sale of property when collection efforts have failed. Procedure generally begins when an account is 60-75 days contractually delinquent.

TABLE 14 (continued)

III. MORTGAGE BANKS

A. 60 day accounts are assigned to attorney for collection and foreclosure.
B. When it is determined no other means of collecting balance voluntarily is available.
C. Property acquired through foreclosure proceedings, acceptance of deed in lieu of foreclosure or transfer in exchange for an outstanding loan is included in other assets and carried at the lower of cost or estimated fair value. Cost includes loan principal, accrued interest and certain subsequent expenditures.
D. Started when account is due for 2 payments, until current or an REO (real estate owned).
E. In legal default 60 or more days delinquent and unable to make satisfactory arrangements with mortgage or we have been requested to pay first mortgage current to protect our interest.
F. Notice of default is filed after two payments are owing, unless a confirmed payment plan has been established. Exceptions: if the senior lien holder has filed a NOD file immediately.
G. When security is in jeopardy due to senior lien being foreclosed or account becomes delinquent 90 days or over.
H. When an account becomes more than 60 days contractually delinquent, foreclosure is initiated unless extenuating circumstances warrant a delay in action. This decision is made by Home Office.
I. Basic Policy filing NOD after 45 days.
J. Start foreclosure when (2) payments are past due.
K. Loan 60 days past due is processed for foreclosure unless mitigating circumstances would determine otherwise. Foreclosure may proceed sooner if circumstances warrant.
L. Primarily, loans that become 90 days past due are reviewed for foreclosure subject to authorization by appropriate management personnel.

IV. SMALL-HOLDER FINANCE COMPANIES

A. Account is normally sent to attorney for foreclosure when two payments become past due.
B. Foreclosure proceedings are begun when 2 full payments are past due.
C. Foreclosure varies with each individual account and as an account falls 60 days or more past due, it is reviewed by our exec loan committee.
D. No specific policy.

TABLE 14 (continued)

E. Foreclosure usually starts when an account is 3 or more months past due and no payment received in the preceding 30 days.

*F. Individual basis -- after collection and other reasonable efforts unsuccessful, foreclosure proceedings initiated. Upon acquiring title unpaid balance transferred to foreclosed properties account, but only to the extent that balance does not exceed net realizable values of property. Remaining balance, if any, is charged-off.

*G. Foreclosure is determined by individual reviews of accounts and only foreclosed based on an estimate of potential recovery.

V. LARGE-HOLDER FINANCE COMPANIES

A. Initiated when first mortgagee initiates foreclosure proceedings or when it is determined that consumer's ability to continue loan payments is in jeopardy - usually 60-90 days delinquent.

B. Used only if the customer is consistently in arrears and no likelihood seen that the loan will be paid off or customer stopped making payments. Also, if customer abandons the residence or first mortgage records notice of default and prepares to foreclose.

C. Foreclosure proceedings start at the end of the two-month delinquency period.

D. Accounts 3 months in default and the current appraisal and title search reveal sufficient equity to repay balance plus previous liens are foreclosed.

*E. After 9 months no-pay, the account is reviewed and considered for foreclosure.

*F. Foreclosure is regarded as the least desirable solution, and every effort is made to reach an amicable solution. However, if all attempts prove futile, foreclosure is considered. After review and field recommendations, Home Office approval is necessary to commence foreclosure action.

*G. Foreclosure proceedings should begin before an account reaches 90 days contractually delinquent. Extenuating circumstances, however, may postpone the start of a foreclosure up to 180 days contractually delinquent.

*H. When an account becomes 60 days delinquent, a request for legal forclosure is completed.

*I. Loans which are 2 payments delinquent are reviewed for possible foreclosure. Upon approval from authorized management personnel, the accounts are assigned to an attorney for immediate action.

TABLE 15: SECOND MORTGAGE FORECLOSURE RATES, 1984 AND 1985

	$ Value		Number	
	1984	1985	1984	1985
Total Foreclosures	87,809,936	$81,543,277	2,413	2,161
Maximum	6,181,000	$22,672,000	543	485
Minimum	0	0	0	0
Average/Respondent	2,439,165	1,852,897	64	47
Number of Respondents	36	44	39	48

	Foreclosure Rates (% of Year Earlier Outstandings)		
	Typical Value in 1984		Range of Values (1985 Typical Values are underlined)
Thrifts	0.40% (3)	% of Loan Number	0, 0, 0.03, 0.18
		% of Loan Value	0, 0, 0.60
C. Banks	0.0% (5)	% of Loan Number	0, 0, 0, 0, 0.07, 0.07, 0.07 0.14, 0.52, 1.0
		% of Loan Value	0, 0, 0, 0, 0.14, 0.20, 0.21, 0.21, 0.22, 1.47, 1.64
M. Bankers	1.67% (3)	% of Loan Number	0, 0, 0.3.33, 5.67, 6.25
		% of Loan Value	0, 0, 0, 0, 5.59, 6.68, 7.05
SHFin.Co.	0.55% (3)	% of Loan Number	0.43, 1.40, 1.46, 1.85, 4.98
		% of Loan Value	2.55, 2.69, 6.27, 6.73, 9.38
LHFin.Co.	0.22% (7)	% of Loan Number	0.24, 0.32, 0.48
		% of Loan Value	0.30, 0.97, 1.67
SBFin.Co.	1.66% (5)	% of Loan Number	0, 0.43, 1.17
		% of Loan Value	0, 0.63, 1.92
LBFin.Co.	0.42% (4)	% of Loan Number	0.07, 0.14, 0.69, 0.74
		% of Loan Value	0.15, 0.50, 1.87, 2.08
Overall Typical	0.36% (29)	% of Loan Number	0.16 (34)
		% of Loan Value	0.50 (37)

TABLE 16: DETAILS ON FORECLOSURES, 1985

Foreclosed Property

	Taken by Deed (%)	Taken by Legal Process (%)
Thrifts	0,	100,100
C. Banks	0,10,11.01,25,41.18,50,100	50,58,82,75.89,90.0,94.1
M. Bankers	0,0.0,24,24	75.76,100.100,100
SHFin.Co.	19.36,33.3,43.8	56.3,66.7,80.65
LHFin.Co.		100
SBFIN.Co.	64.71	41.18
LBFin.Co.	0,1.39.9.95,22.22	77.78,90.05.98.61,100
Overall (typical)	19.36	81.33

Percentage Dispostion of Foreclosed Property

	Foreclosed Property Sold (% of number foreclosed)	Foreclosed Property Liquidated (% -- $ Value ratio)	Dollars Realized on Sale/Value of Property Liquidated %
Thrifts	0,133	0,50	219.6%
C. Banks	0,75,77.98.88.24. 94.12,109.86	0,0,75,85,88.24	2.9,5.9,78.0. 91.2,214.0
M. Bankers	0.01,28.57,66.67. 67.86,95.46	0,3.6,66.7,67.9,97.0,	15.0,90.9,108.4. 150.1
SHFin.Co.	0,26.5,50. 88.5,100.109.7	0,35.6,88.4,100.0,109.7	0,23.2,35.7. 96.1,109.4,122.2
LHFin.Co.	81.8,94.2,141.8	115.26.141.75	24.3,55.5,64.0
SBFin.Co.	100.117.1	100.117.07	69.1.136.0
LBFin.Co.	65.92,82.09.111.11 147.22	0,65.97,144.44	41.7,80.0 139.8,175.4
Overall (Typical)	82.0	70.9	80

TABLE 17: SECOND MORTGAGE CHARGE-OFFS IN 1985

Total Charge-offs and Loss Allowances

	$ Value	Number of Responses
Gross Losses	$ 59,543,311	48
Recoveries	8,523,751	46
Net Losses	$ 40,680,144	47
Allowance for Losses	$428,173,246	46

	Net Charge-offs as Percent of Average Outstandings	Net Charge-offs as Percent of Year-Earlier Outstandings	Recoveries as percent of Net Chargeoffs
Thrifts	0,0.23	0,0.0.03,0.30	0
C. Banks	0,0.02,0.03,0.08,0.10.0.10 0.29,0.37,0.39,0.47	0,0.02,0.04,0.09,0.10 0.11,0.29,0.33,0.46,0.53	1.70,2.26,2.67 17.48,20.70,21.65,21.70 32.42,32.87,34.99
M. Bankers	0,0,0,0,0.04,0.26 0.40	0,0,0,0.0.04,0.27,0.59	7.28,11.33,19.79
SBFin.Co.	0.06,0.31,0.71, 2.33,2.77	0.07,0.34,2.63,2.95	0,4.13,6.40,14.54, 33.43
LHFin.Co.	0.11,0.24,0.41,0.44, 0.75,0.89,0.95	0.14,0.27,0.42,0.45, 0.84,0.99,1.12	3.16,5.77,6.21,10.13 33.78,57.90
SBFin.Co.	0.21,0.94	0,0.24,1.02	0.80,22.73
LBFin.Co.	0.15,0.18,0.46,0.46 0.94	0.19,0.24,0.44, 0.52,0.94	1.50,2.45,5.22, 11.42,37.0
Overall (Typical)	0.25	0.26	10.73

TABLE 18: CHARGE-OFF POLICIES OF SECOND MORTGAGE LENDERS, 1985

I. COMMERCIAL BANKS

A. 120 days past due.
B. Simple Interest Loans 5 months in default.
Discounted Loans 7 months in default.
C. Any loan where our balance is more than the appraised value. Any second mortgage balance that we allowed first mortgage to foreclose.
D. Collection activity starts on the 9th day of delinquency. A reminder notice will be mailed to all borrowers who have not paid the current monthly payment. Telephone contact is also attempted at this time to establish the reason for delinquency and the ability of the borrower to pay the debt.

If the mortgage remains unpaid 15 days after the due date (unless specified other than 15 days by Deed of Trust), the mortgagor will receive a computerized delinquent notice advising him that his mortgage payment is seriously past due and to remit the payment with the last charge. Some of the second mortgages have a 10 day grace period so the 10 day reminder notices are substituted with the late charge notice. Throughout the remainder of the month, the counselors continue to contact the delinquent mortgagor by telephone, letters, and mail-grams.

If the loan remains delinquent, it will be necessary to obtain the status of the first mortgage, i.e., principal balance, due date, payment amount, interest rate, loan type, late charge, account number for future consideration, and if taxes and insurance are included in the payment. If the holder of the first will not give the information over the telephone, a letter will be sent requesting the status. This status should be obtained by the 30th day of delinquency.

By the 35th day of delinquency, a computer generated letter will be mailed to the mortgagor. A special message will be placed on the letter advising the borrower that an "as is drive-by appraisal" of the property will be performed within the next 30 days if payments are not received. The estimated cost for this appraisal is $200.00 and will be billed to the borrower. A property inspection will be requested on any loans that are 60 days or more delinquent and on any 35 day delinquent loan where telephone contact has not been established. The Breach Letter must be sent by the 60th day of delinquency and the Forclosure Letter should follow no later than the 75th day.

TABLE 18 (continued)

It will be necessary to establish our "equity position" prior to the 90th day of delinquency. In order for us to accomplish this, we must order a drive-by appraisal. This should be obtained no later than the 75th day of delinquency.

The collector will chose from the bank approved appraiser list a qualified appraiser in the area of our delinquent borrower. He/She will be responsible for contacting the appraiser to explain the type of appraisal needed, to establish the cost for the service, and to mail the appraisal request to the designated appraiser. All costs will be advanced through the system and the borrower will be billed. It will be very important that the collector set up an accounting sheet for each loan to track the expenses.

Once we have received the current property value, our equity position will be established and reviewed by the "equity committee". The Equity Review form will be used for the calculation of our equity position. The "equity committee" will be responsible to review and to make recommendations for charge-off, investor notification, and/or liquidation.

Once the decision is made by the equity committee, the following steps must be taken:

Some investors require us to repurchase all loans that become 90-120 days delinquent. This repurchase must take place prior to the initiation of foreclosure and should be started when these loans become 60 days delinquent. The repurchase procedures will be followed to accomplish this.

If we are not required to repurchase the loan from the investor, we must have our recommedation approved. This recommendation package should include the following:

1. Cover Memo
2. Loan Equity Review
3. Appraisal (As is drive-by)
4. Recommendation Letter which covers

    a. Collection history
    b. Equity position
    c. Request for authorization to advance monthly payments to prior lien holders
    d. Liquidation recommendation

TABLE 18 (continued)

Once the recommendation has been approved, it will be returned to collections and forwarded on to the investor. At this time, the file will be forwarded to the liquidation department if applicable.

BANKRUPTCY

When a notice of bankruptcy is received or the borrower advises us that he has filed bankruptcy, the file will immediately be forwarded to the bankruptcy specialist. following the same procedures as a first mortgage except, we will also closely follow the status of the first lien.

E. 120 days delinquent.
F. Account 90 days past due, unless bankruptcy has been filed or customer is deceased, can be charged-off immediately or property foreclosed.
G. Reviewed at 120 day delinquency -- charge-off represents either a deficiency balance after sale or a loan reduced to an unsecured judgment.
H. After sale of property, we would charge-off an unpaid balance immediately -- but we had no foreclosures in 1983, 1984, or 1985.
I. Analyzed on a case by case basis.
J. At 90 days delinquent, account is analyzed for current collateral position and a decision is made whether to foreclose -- If no foreclosure, charged-off at 120 days.
K. Corporate charge-off taken at 90 days, cash charge-offs taken at 120 days.
L. Loans charged-off at 120 days. Because of the nature of mortgage loans, some loans are over 120 days delinquent. For a loan to remain on the books over 120 days, senior management must approve.
M. Delinquent 120 days.
N. Charge-off only after resale or when lien is unenforceable.

II. THRIFT INSTITUTIONS

A. Account in excess of 180 days past due, when foreclosure is prohibitive due to value of collateral and equity position.
B. An account which has not paid in 120 days and no future arrangements have been established.
C. Accounts where payment has not been received for 180 consecutive days or more, if account is bankrupt, or small balance.

TABLE 18 (continued)

D. Any loan that is uncollectable and/or where the collateral has been foreclosed or repossessed and sold for less than the amount owing.
E. We will charge-off any principal amount deemed unrecoverable after the failure of collection efforts and the estimated fair market value of the property makes foreclosure unprofitable. Also, any amount not on the sale of a foreclosed upon property.

III. MORTGAGE BANKS

A. Once property is sold, any loss is charged-off.
B. When it is determined that we have a loss, the account is immediately charged-off.
C. Any excess of cost over the estimated fair value of the time of acquisition is charged to the allowance for loan losses. The estimated fair value is received periodically by management and any write downs are charged against current earnings.
D. Charge-off occurs after property is liquidated.
E. A charge-off is taken when it is determined that the value of the secured property is less than enough to pay-off our loan and the first mortgage and the expenses incurred.
F. If the equity in the property will not substantiate an advance to a senior lien holder, we allow them to complete their foreclosure and eliminate our interest.
G. Small delinquent balances where foreclosure is too costly or negative equity.
H. Any account which is 180 days (6 months) contractually past due must be in foreclosure or charged to the allowance for doubtful accounts.
I. We have no charge-offs. All loans sold to third party investors.
J. Charge-off balance after sale of property or if property is condemned and of no value.
K. Foreclosure proceedings are initiated when the loan is 60 days delinquent at the request of the beneficiary.
L. None, as no loans have required charge-off.

IV. SMALL-HOLDER FINANCE COMPANIES

A. When property is sold any remaining balance is then written off or if litigation is settled and results in a loss it is written off at that time.
B. An account is charged-off when five payments are past due.
C. As each account falls 180 days past due it is reviewed by our executive loan committee on its individual basis.
D. All accounts DLP 1 year or prior and deemed uncollectable.

TABLE 18 (continued)

E. Accounts 6 months past due and no payment in the last 180 days. Only exception is on real estate accounts where recovery is likely.
*F. Delinquent and 6-months with no payment.
G. Individual basis, but charge-off occurs not later than the time of foreclosure.
*H. Each delinquent account is reviewed monthly. Any account becoming 180 days contractually delinquent is "loss" unless foreclosure has been started. Foreclosures and acquired properties are reviewed monthly and any significant amount that is considered potentially a loss is charged-off.
*I. An account will be charged-off once the probability of loss has been established. More specifically, in the finance company subsidiary, all real estate repossessions not sold within 90 days will be charged-off at the rate of 5% per month and any deficiency on property sold will be charged-off immediately.

V. LARGE-HOLDER FINANCE COMPANIES

A. No payment for 180 days or sooner if clearly a loss.
B. After sale of foreclosed property.
C. Consumer notes receivable secured by real estate are generally written down to the value of the collateral by a charge against the reserve for doubtful receivables when repossession of the collateral actually occurs or is deemed likely.
D. No payment received in 9 months and the account is at least 9 months in arrears.
E. When an active bad debt account is more than seven months overdue, both contractually and by recency, it is written down to the anticipated net realizable value. It may be reviewed periodically for futher reduction for a period not to exceed 24 months, or until it is sold.
F. Charge-off after 6 payments in default and no payment in 6 months. Charge-off after foreclosure/repossession and sale if deficiency exists.
*G. After 9 months no-pay the account is reviewed and considered for charge-off.
*H. The company's charge-off policy is based on contractual delinquency. Generally accounts are charged-off in the month that they become 6 months contractually delinquent.
*I. An account positively identified as a loss because of a bankruptcy discharge, death (no estate), court ruling, lower market value than receivable, etc., regardless of contractual delinquency is charged-off.
*J. It is the company's policy to charge-off Real Estate secured and Sales Finance contracts when they become 180 days contractually delinquent.

TABLE 18 (continued)

*K. Real Estate Mortgage Loans -- once title to the property is acquired any account with an estimated loss is written down by the amount of the estimated loss.

Real Estate Repossessions not sold within 90 days - All real estate repossessions not sold within ninety (90) days will be charged-off at the rate of 5% per month of the repo balance at expiration of the 90 day period.

Deficiency Balance on Repo - Whenever property is sold and there remains a deficiency balance, it is to be charged-off immediately.

*L. Non-accruals charged-off after being placed in non-accrual status, which is at 90 days past due.

TABLE 19: INCOME RECOGNITION POLICIES OF SECOND MORTGAGE LENDERS, 1985

I. COMMERCIAL BANKS

A. Actuarial and Simple Interest.
B. Accrual
C. GAAP
D. Accrual
E. Accrual
F. Accrual method
G. Accrual
H. Accrual method
I. Cash basis
J. Simple-interest, daily accrual
K. Accrual.

II. THRIFT INSTITUTIONS

A. Simple interest on Full Portfolio since 9/1/83.
Add-on: Rule of 78's on liquidating portfolio
B. Accrual

III. MORTGAGE BANKS

A. Accrual
B. Cash
C. In accordance with generally accepted accounting policies.
D. Accrual
E. Accrual
F. Cash basis on installment notes receivable -- Accrual otherwise.
G. Loan origination fee recognized when received, since loans sold off immediately.
H. Cash basis
I. Commission.
J. Accrual.

IV. SMALL-HOLDER FINANCE COMPANIES

A. Points are taken as income when loan is booked. Interest is taken in when a payment is made.
B. Actuarial Rule of 78's on Precomputed Loans; Simple Interest on Interest-Bearing Loans.
C. Cash basis.
D. Actuarial or precomputed.
E. Collection basis.
F. Collection basis.
*G. Loans are interest-bearing.
*H. Accrual
*I. Accrual basis of accounting -- accrual method applied to deferred finance income including origination fees.
*J. Accrual

TABLE 19 (continued)

V. LARGE-HOLDER FINANCE COMPANIES

A. Precomputed -- rule of 78's.
Per diem -- as collected and accrued
B. Interest bearing/rule of 78's
C. The combination method
D. Finance charges on discounted loans are generally taken into income as earned and collected under the sum-of-digits method. Interest from interest bearing direct cash loans is taken into income as collected. Finance charges on bank credit card receivables are taken into income as earned.
E. Primarily simple interest at the contract rate with points earned by the actuarial method.
F. Accrual income is recognized when earned.
*G. Sum of digits on actuarial -- discount loans.
Accrual -- interest bearing loans.
*H. Effective yield -- (actuarial) method.
*I. Interest income is recognized on the accrual basis of accounting. Loans, secured by other than a 1 to 4 family dwelling, that become 90 days past due are put on non-accrual status (no income accrued).
*J. Liquidating accrual.
*K. Actuarial yield method.

TABLE 20: PROFITABILITY OF SECOND MORTGAGE LENDERS, 1985

I. Pretax Income as a Percent of Average Equity

Type of Institution	For Second Mortgages Only	For Full Portfolio
Thrifts	--	--
C. Banks	-0.9, 74.2, 159.7	-0.9, 11.8, 20.1 58.0, 147.5
M. Bankers	88.1, 139.6 169.1, 207.5	3.8, 45.9, 88.1, 101.4 139.6, 169.1, 280.4
SHFin. Co.	10.3	10.3, 11.6, 12.1, 20.0, 31.6, 44.0
LHFin. Co.	40.0	17.1, 17.4, 19.0 25.9, 40.0, 54.0
SBF Co.	74.6	36.9, 38.0
LBF Co.	19.3	19.3, 24.1, 37.8, 86.2, 408.6
Overall (typical)	74.6	36.9

II. Pretax Income as Percent of Average Outstandings

Thrifts	--	--
C. Banks	-0.8, 0.01, 0.82 5.01, 8.94	-0.8, 0.82, 4.2, 4.9, 8.3, 20.2
M. Bankers	-34.50, 4.21, 96.93	-34.3, 4.2, 7.1, 72.5
SHFin. Co.	1.30, 1.95, 3.59	1.30, 1.35, 3.46, 3.59 6.39, 9.10
LHFin. Co.	3.89	1.03, 1.47, 2.51, 3.48, 3.87, 6.76
SBFin. Co.	7.23	6.01, 7.14
LBFin. Co.	2.97	1.49, 3.01, 5.57, 6.60, 12.28
Overall (typical)	3.28	4.2

TABLE 21: INTEREST INCOME AND EXPENSE OF SECOND MORTGAGE LENDERS, 1985

Type of Institution	Gross Interest Revenues Percent of Average Second Mortgage Receivables	Outstandings
Thrifts	--	--
C. Banks	10.2, 11.5, 12.1, 13.3 13.3, 13.5, 13.8	11.7, 12.8, 13.3 13.3, 13.8
M. Bankers	11.7, 13.6, 13.6, 14.0. 14.4, 19.8	8.7, 13.4, 14.0 14.1, 20.3
SHFin. Co.	15.9, 17.9, 20.5. 22.3, 31.7	9.6, 17.4, 20.5, 21.6, 25.0, 30.9, 31.7
LHFin. Co.	16.5, 18.5, 18.9 19.1, 20.2	14.3, 15.0, 19.0, 19.1. 20.1, 22.5, 23.2
SBF Co.	7.5. 16.9	9.8, 20.3. 23.3
LBF Co.	14.0, 17.2. 18.4. 19.5	14.3, 18.6, 19.8, 22.5, 38.4
Overall (typical)	15.9	18.8
	Gross Interest Expenses Percent of Borrowings to Carry Second Mortgage Receivables	Total Portfolio
Thrifts	--	--
C. Banks	6.0, 8.4. 10.6. 10.6	3.6, 6.0, 8.4. 8.7, 10.6, 10.6
M. Bankers	8.2, 10.7. 12.1. 17.3	8.2, 10.5. 12.1. 17.3
SHFin. Co.	8.7, 9.0. 10.9. 24..	8.7, 9.0, 10.0, 11.2, 11.9, 11.9, 18.8
LHFin. Co.	4.2, 8.9. 9.6. 10.5	4.2, 8.9, 9.5, 9.6, 9.6, 10.0, 10.5
SBFin. Co.	5.6. 10.7	5.6, 9.3. 10.7
LBFin. Co.	9.2. 11.0	8.1, 9.2, 9.3. 11.0, 11.4
Overall (typical)	9.8	9.6

TABLE 22: SECOND MORTGAGE LENDERS' REVENUES AS PERCENT OF AVERAGE OUTSTANDINGS

	Interest Revenues	Service Fees	Origination Fees
Thrifts	--	--	0.326
C. Banks	10.2, 11.5, 12.1, 13.3 13.3, 13.5, 13.8	0.329	0.189, 0.415, 0.517 0.551, 1.005
M. Bankers	11.7, 13.6, 13.6, 14.0 14.4, 19.8	0.881, 2.044 7.683, 15.055	0.778, 0.930, 7.923 15.542, 66.685, 182.20
SHFin. Co.	15.9, 17.9, 20.5 22.3, 31.7	0.106, 0.124 5.638	0.285, 2.704, 19.297
LHFin. Co.	16.5, 18.5, 18.9 19.1, 20.2	--	0.011, 0.289, 0.323, 1.013
SBFin. Co.	7.5, 16.9	--	0.336, 5.271
LBFin. Co.	14.0, 17.2, 18.4, 19.5	0.021	0.373
Overall (typical)	15.9	0.881	0.665

	Brokerage Fee	Prepayment Penalties	Insurance and other Non-fee Revenue
Thrifts	--	--	--
C. Banks	0.066, 0.154, 0.302 0.872	0.003	0.182, 0.387
M. Bankers	0.408, 0.763, 185.0	0.043, 1.096	0.169, 1.755, 3.129 8.423
SHFin. Co.	0.192, 0.274, 2.86	0.120, 0.568	0.373, 0.458, 5.367
LHFin. Co.	0.123	0.021, 0.053, 0.324	0.136
SBFin. Co.	--	--	0.861
LBFin. Co.	0.069	0.019, 0.069	0.478
Overall (typical)	0.288	0.061	0.468

TABLE 23: SECOND MORTGAGE LENDERS' NON-INTEREST REVENUES AS PERCENTAGE OF ORIGINATIONS, SERVICED LOANS, AND LOAN SALES, 1985

Non-interest Revenues as a Percentage of Originations
(Distribution of Responses)

Type of Lender	Origination Fees	Brokerage Fees	Insurance and Other Revenues
Thrifts	2.004	--	--
C. Banks	0.405, 0.721, 1.082 2.238	0.142, 0.304 0.525, 2.070	0.359, 0.672
M. Bankers	1.081, 1.962, 2.341, 2.684 3.213, 4.245, 7.088	0.132, 0.165 2.999	0.510, 0.712, 1.454, 6.596
SHFin. Co.	0.605, 1.381, 7.377	0.098, 0.287, 6.077	0.143, 0.481, 2.741
LHFin. Co.	0.022, 0.511, 0.601, 2.539	0.307	0.242
SBF Co.	0.816, 2.209	--	2.092
LBF Co.	0.642	0.119	1.002
Overall (typical)	1.672	0.296	0.692

Non-interest Revenues as a Percentage of Serviced Loans and Loans Sold
(Distribution of Responses)

	Service Fees/ Net Value of Loans Serviced	Brokerage Fees/ Loans Sold	Origination Fees/ Loans Sold
Thrifts	--	--	--
C. Banks	--	--	--
M. Bankers	0.120, 0.561 0.703, 1.619	0.260, 0.335 3.097	1.116, 4.245, 5.047 6.696, 6.824
SHFin. Co.	0.238, 1.073, 3.889	0.128, 0.416	1.811, 23.376
LHFin. Co.	--	--	0.043
SBFin. Co.	--	--	--
LBFin. Co.	1.138	--	--
Overall (typical)	0.888	0.335	4.646

TABLE 24: KEY STATE DATA, 1985
(NUMBER OF RESPONDENTS FOR EACH ITEM GIVEN IN PARENTHESES)

State	Total Reported Outstandings	Total Reported Originations	Average APR	Average 60 Day & Over Delinquencies	Number of Foreclosures
1. Alabama	230,855,000 (11)	125,499,000 (11)	15.79% (10)	2.99% (7)	52 (13)
2. Alaska	1,749,000 (1)	6,420,000 (1)	18.72% (1)	3.77% (1)	--
3. Arizona	380,016,000 (13)	142,405,000 (12)	15.36% (10)	1.62% (12)	50 (7)
4. Arkansas	--	--	--	--	--
5. California	3,891,979,000 (18)	1,344,291,000 (18)	16.21% (17)	3.10% (13)	427 (10)
6. Colorado	429,402,000 (12)	213,715,000 (12)	15.35% (11)	3.59% (10)	65 (5)
7. Connecticut	89,105,000 (8)	63,750,000 (8)	15.43% (7)	1.16% (5)	7 (3)
8. Delaware	40,310,000 (7)	22,921,000 (6)	15.68% (5)	0.63% (5)	0 (1)
9. Florida	673,081,000 (14)	302,099,000 (15)	14.88% (14)	2.03% (11)	76 (5)
10. Georgia	424,041,000 (17)	240,705,000 (17)	15.89% (17)	0.99% (14)	55 (9)
11. Hawaii	175,321,000 (4)	91,234,000 (4)	15.11% (4)	4.27% (3)	6 (1)
12. Idaho	50,329,000 (6)	24,023,000 (5)	16.29% (5)	5.37% (5)	22 (2)
13. Illinois	296,291,000 (11)	153,039,000 (11)	16.06% (10)	2.60% (9)	40 (5)
14. Indiana	295,082,000 (12)	149,288,000 (12)	16.17% (9)	2.63% (10)	60 (6)
15. Iowa	69,642,000 (7)	23,445,000 (6)	16.61% (6)	4.51% (5)	6 (3)
16. Kansas	109,488,000 (10)	47,676,000 (9)	16.81% (9)	3.12% (7)	48 (3)
17. Kentucky	80,904,000 (11)	41,634,000 (11)	16.33% (9)	[illegible]42% (9)	4 (3)
18. Louisiana	147,188,000 (13)	58,323,000 (13)	16.27% (12)	3.38% (7)	28 (5)
19. Maine	1,187,000 (1)	--	--	--	--
20. Maryland	363,344,000 (13)	177,175,000 (13)	15.41% (13)	1.30% (10)	4 (6)
21. Massachusetts	211,392,000 (10)	155,308,000 (10)	15.07% (9)	0.83% (8)	3 (3)
22. Michigan	47,543,000 (3)	25,939,000 (3)	18.33% (1)	1.82% (3)	1 (1)
23. Minnesota	191,012,000 (8)	85,956,000 (8)	15.92% (8)	2.58% (8)	21 (4)
24. Mississippi	78,789,000 (10)	33,006,000 (10)	16.88% (9)	2.44% (7)	8 (3)
25. Missouri	124,242,000 (12)	72,700,000 (12)	16.78% (10)	1.56% (8)	10 (2)
26. Montana	26,356,000 (5)	11,152,000 (5)	17.07% (4)	4.98% (4)	14 (2)
27. Nebraska	21,507,000 (4)	8,833,000 (4)	17.67% (4)	4.27% (4)	5 (1)

TABLE 24 (continued)

State	Total Reported Outstandings	Total Reported Originations	Average APR	Average 60 Day & Over Delinquencies	Number of Foreclosures
28. Nevada	56,142,000 (7)	16,338,000 (6)	15.85% (6)	3.19% (6)	14 (4)
29. New Hampshire	28,860,000 (5)	19,816,000 (5)	15.18% (4)	0.57% (4)	0 (1)
30. New Jersey	247,859,000 (8)	121,142,000 (8)	15.95% (8)	2.07% (7)	0 (1)
31. New Mexico	73,330,000 (8)	32,584,000 (8)	16.15% (8)	2.50% (7)	13 (4)
32. New York	298,230,000 (9)	174,029,000 (9)	16.48% (7)	1.03% (10)	12 (7)
33. North Carolina	408,782,107 (13)	189,669,000 (13)	15.22% (12)	1.31% (9)	6 (6)
34. North Dakota	49,000 (1)	18,400 (1)	17.85% (1)	--	--
35. Ohio	587,522,000 (10)	317,603,000 (10)	16.05% (10)	2.88% (8)	55 (5)
36. Oklahoma	172,639,000 (13)	74,963,000 (13)	16.24% (11)	2.77% (8)	55 (3)
37. Oregon	80,893,000 (7)	23,538,000 (6)	17.07% (6)	5.46% (5)	15 (2)
38. Pennsylvania	514,192,000 (10)	270,684,000 (10)	16.38% (10)	2.38% (8)	29 (4)
39. Rhode Island	70,369,000 (7)	51,907,000 (7)	15.87% (7)	1.38% (6)	0 (1)
40. South Carolina	312,363,000 (16)	129,297,000 (16)	15.65% (14)	1.97% (11)	39 (7)
41. South Dakota	5,011,000 (3)	2,584,000 (3)	17.74% (3)	2.05% (2)	1 (1)
42. Tennessee	225,663,000 (11)	113,739,000 (11)	14.56% (10)	0.91% (7)	23 (4)
43. Texas	107,577,000 (9)	44,874,000 (9)	14.01% (9)	1.85% (5)	3 (2)
44. Utah	74,555,000 (11)	33,489,000 (11)	15.90% (10)	4.01% (9)	9 (4)
45. Vermont	2,288,000 (1)	1,625,000 (1)	17.10% (1)	1.00% (1)	--
46. Virginia	335,727,000 (12)	157,516,000 (12)	16.05% (11)	1.89% (9)	19 (5)
47. Washington	861,657,000 (7)	392,676,000 (6)	15.85% (6)	4.65% (5)	38 (2)
48. West Virginia	63,485,000 (6)	27,492,000 (6)	16.68% (5)	3.07% (3)	16 (2)
49. Wisconsin	132,498,000 (7)	62,015,000 (7)	16.39% (6)	2.30% (6)	5 (2)
50. Wyoming	15,494,000 (3)	5,402,000 (3)	17.55% (3)	10.7 % (3)	5 (1)
51. Washington, D.C.	4,292,000 (1)	1,002,000 (1)	12.61% (1)	2.96% (1)	5 (1)
52. Ontario	1,443,000 (1)	1,013,000 (1)	17.60% (1)	--	--
53. Puerto Rico	84,000 (1)	--	--	0 (1)	0 (1)

TABLE 25: KEY RATIOS APPLICABLE TO LENDERS IN EACH STATE
(NUMBER OF RESPONDENTS IN PARENTHESES)

State	State APR/ Nat'l APR	Originations/ Outstandings	Average Size of Originations	(State Orig/Outs)/ (Nat'l Orig/Outs)	(State Del. %)/ (Nat'l Del. %)
1. Alabama	98.75% (10)	47.59% (12)	$ 14,692 (12)	91.19% (11)	66.93% (5)
2. Alaska	124.14% (1)	36.69% (1)	$ 7,826 (1)	73.44% (1)	--
3. Arizona	96.88% (11)	53.77% (14)	$ 22,853 (14)	119.79% (14)	61.24% (8)
4. Arkansas	--	--	--	--	--
5. California	98.92% (17)	45.74% (17)	$ 37,926 (18)[1]	82.77% (13)	70.0 % (10)
6. Colorado	97.05% (12)	63.71% (13)	$ 21,202 (13)	122.65% (12)	117.39% (9)
7. Connecticut	93.46% (8)	76.43% (8)	$ 22,841 (8)	172.64% (8)	41.88% (7)
8. Delaware	100.46% (5)	59.68% (6)	$ 14,806 (6)	107.82% (5)	42.21% (2)
9. Florida	95.07% (15)	45.94% (15)	$ 19,165 (16)	101.03% (14)	119.79% (11)
10. Georgia	99.11% (17)	48.24% (17)	$ 19,453 (18)	98.07% (15)	60.27% (9)
11. Hawaii	98.84% (4)	51.00% (4)	$ 34,982 (4)	102.26% (4)	108.72% (3)
12. Idaho	96.20% (5)	44.77% (5)	$ 18,732 (5)	95.92% (5)	154.77% (4)
13. Illinois	99.02% (11)	61.92% (12)	$ 22,159 (12)	122.05% (12)	105.64% (7)
14. Indiana	98.80% (10)	48.35% (13)	$ 15,573 (12)	105.38% (13)	130.20% (10)
15. Iowa	98.02% (7)	54.59% (7)	$ 17,061 (7)	116.76% (7)	258.23% (3)
16. Kansas	99.66% (10)	47.30% (10)	$ 14,229 (10)	98.28% (9)	114.83% (4)
17. Kentucky	100.0 % (10)	57.10% (12)	$ 14,392 (12)	124.32% (11)	76.93% (6)
18. Louisiana	101.21% (13)	39.10% (13)	$ 20,519 (14)	89.40% (12)	94.08% (6)
19. Maine	--	--	--	--	--
20. Maryland	98.23% (14)	51.43% (14)	$ 22,939 (14)	144.29% (13)	77.81% (8)
21. Massachusetts	94.22% (10)	82.44% (10)	$ 22,344 (11)	181.39% (10)	53.33% (6)
22. Michigan	121.55% (1)	68.99% (3)	$ 12,198 (3)	165.57% (3)	44.70% (2)
23. Minnesota	96.42% (9)	58.38% (10)	$ 21,045 (10)	109.75% (9)	84.72% (7)
24. Mississippi	100.72% (10)	45.61% (11)	$ 13,830 (11)	102.51% (10)	97.34% (5)
25. Missouri	100.07% (10)	64.27% (12)	$ 13,282 (11)	133.70% (11)	150.19% (9)
26. Montana	101.02% (4)	38.34% (5)	$ 22,221 (5)	82.78% (5)	144.01% (3)

[1] One respondent made loans averaging $167,000.

TABLE 25 (continued)

State	State APR/ Nat'l APR	Originations/ Outstandings	Average Size of Originations	(State Orig/Outs)/ (Nat'l Orig/Outs)	(State Del. %)/ (Nat'l Del. %)
27. Nebraska	103.94% (4)	55.71% (4)	$ 10,897 (4)	125.88% (4)	158.09% (2)
28. Nevada	99.47% (6)	45.35% (6)	$ 26,767 (6)	65.26% (6)	97.33% (4)
29. New Hampshire	92.47% (4)	67.48% (5)	$ 24,379 (5)	151.29% (5)	36.88% (3)
30. New Jersey	98.41% (8)	63.81% (8)	$ 20,179 (8)	130.11% (7)	132.77% (4)
31. New Mexico	100.23% (8)	44.53% (8)	$ 20,701 (8)	85.63% (8)	84.98% 97)
32. New York	98.05% (8)	69.20% (10)	$ 22,366 (9)	181.36% (9)	51.21% (5)
33. North Carolina	96.10% (13)	97.29% (14)	$ 17,096 (14)	115.19% (13)	55.07% (8)
34. North Dakota	118.37% (1)	37.55% (1)	$ 9,200 (1)	75.16% (1)	--
35. Ohio	98.44% (11)	53.18% (11)	$ 15,816 (11)	105.36% (10)	97.50% (6)
36. Oklahoma	99.34% (12)	52.06% (14)	$ 14,847 (14)	102.78% (13)	209.41% (8)
37. Oregon	100.75% (6)	26.27% (6)	$ 15,960 (6)	65.39% (5)	161.96% (4)
38. Pennsylvania	100.05% (11)	67.62% (11)	$ 17,083 (11)	136.09% (10)	98.09% (7)
39. Rhode Island	94.74% (7)	59.72% (7)	$ 19,526 (7)	136.65% (7)	37.88% (6)
40. South Carolina	98.89% (14)	51.85% (17)	$ 16,247 (17)	96.87% (14)	104.35% (11)
41. South Dakota	109.46% (3)	45.31% (3)	$ 12,761 (3)	88.18% (3)	83.67% (2)
42. Tennessee	90.36% (11)	52.24% (12)	$ 16,108 (11)	100.90% (11)	84.36% (7)
43. Texas	88.06% (10)	51.22% (8)	$ 22,972 (9)	103.59% (7)	232.69% (6)
44. Utah	97.55% (11)	57.43% (12)	$ 20,787 (12)	139.56% (11)	103.96% (6)
45. Vermont	100. % (1)	71.02% (1)	$ 16,414 (1)	157.90% (1)	47.10% (1)
46. Virginia	99.42% (11)	54.84% (12)	$ 19,820 (11)	102.79% (11)	70.08% (8)
47. Washington	96.27% (6)	53.71% (6)	$ 24,092 (6)	112.38% (6)	115.42% (4)
48. West Virginia	102.49% (5)	54.69% (6)	$ 16,692 (6)	114.86% (6)	94.79% (3)
49. Wisconsin	97.32% (7)	86.63% (8)	$ 16,949 (8)	191.76% (8)	139.19% (3)
50. Wyoming	108.11% (3)	76.74% (3)	$ 22,325 (3)	164.19% (3)	357.76% (2)
51. Washington, D.C.	96.19% (1)	23.35% (1)	$125,250 (1)	47.20% (1)	174.87% (1)
52. Ontario	104.14% (1)	70.21% (1)	$ 21,562 (1)	143.16% (1)	--
53. Puerto Rico	--	--	--	--	--

APPENDIX
1986 NSMA QUESTIONNAIRE

NATIONAL SECOND MORTGAGE ASSOCIATION
EXECUTIVE DIRECTOR - Suite 308, 1166 DeKalb Pike, Center Square, Pennsylvania 19422 / (215) 277-3740
Toll Free Number Outside Pennsylvania 1-800-342-1121

FINANCIAL QUESTIONNAIRE

IDENTIFYING # OF FIRM ____ ____ ____ ____
(Assigned by NSMA)

TYPE OF FIRM:
(Check One)

____ 1. Finance Company
____ 2. Mortgage Banker
____ 3. Commercial Bank
____ 4. Savings & Loan Association
____ 5. Mutual Savings Bank
____ 6. Other (Specify)
_____
_____
_____

TYPE OF AFFILIATION (IF ANY):
(Check One)

____ 1. None
____ 2. Subsidiary of bank or bank holding company
____ 3. Affiliate of Savings & Loan or mutual savings bank
____ 4. Subsidiary of nondepository institution (Specify type of institution)
_____
____ 5. Other (Specify)
_____
_____
_____

INSTRUCTIONS:

1. In answering the questionnaire, show whole dollar figures. (Do not round to the nearest thousand.)
2. See definitions at the end of the questionnaire.
3. Unless stated otherwise, report dollar amounts on Net Basis.

The following information is for the fiscal year ended: (Check one)

____ December 31, 1985 or _____
(Specify date closest to year-end for which data are available)

	MOST RECENT FISCAL YEAR-END		PREVIOUS YEAR	
	SECOND MORTGAGE	FULL PORTFOLIO	SECOND MORTGAGE	FULL PORTFOLIO
I. VOLUME AND OUTSTANDING DATA INDICATORS:				
1. Loans receivable outstanding and owned at end of fiscal year:				
A. Number of loans outstanding:	_____	_____	_____	_____
B. Gross balances outstanding (includes precomputed finance charges plus principal balances outstanding):	_____	_____	_____	_____
C. Net balances outstanding (includes principal balance only):	_____	_____	_____	_____
D. Average loans outstanding (check one):				
____ (1) Daily				
____ (2) At beginning and end of month				
____ (3) At beginning and end of quarter				
____ (4) At beginning and end of year				
____ (5) Other (specify) _____				
E. Average gross receivable outstanding:*	_____	_____		
F. Average net receivable outstanding:*	_____	_____		
G. Number of revolving loans outstanding:	_____	_____	_____	_____
H. Balances of revolving loans outstanding:	_____	_____	_____	_____

* Average outstandings equals the average amount of receivables due over the course of the year, not the average loan size.

	MOST RECENT FISCAL YEAR SECOND MORTGAGE		PREVIOUS YEAR SECOND MORTGAGE	
	NUMBER	DOLLAR	NUMBER	DOLLAR
2. Volume Of Second Mortgage Loans Originated During The Fiscal Year:				
A. Gross balance originated:				
B. Net balance originated:				
C. Balance renewed. (Check if gross ____ or net ____.)				
D. New money:				
3. Volume Of Real Estate Secured Revolving Lending Originated:				
4. Second Mortgages Receivable Outstanding That Were Serviced But Not Owned At End Of Fiscal Year:				
A. Gross balance outstanding:				
B. Net balance outstanding:				
5. Volume Of Second Mortgages Purchased During Fiscal Year:				
A. Gross balance outstanding:				
B. Net balance outstanding:				

			MOST RECENT FISCAL YEAR SECOND MORTGAGE		PREVIOUS YEAR SECOND MORTGAGE	
			NUMBER	DOLLAR	NUMBER	DOLLAR
6.		Volume Of Second Mortgage Loans Sold To Other Than Affiliated Company During The Fiscal Year:				
7.	A.	Volume of reported second mortgage loans where your mortgage has first position:				
	B.	Volume of reported second mortgage loans where your mortgage has second position:				
	C.	Volume of reported second mortgage loans where your mortgage has third position:				
8.	A.	Volume of second mortgage loans where the mortgage has an adjustable rate feature:				
	B.	What type of index is used to adjust the rate:				
		_____				
		_____				
	C.	Volume of second mortgage loans where the mortgage is a term (balloon) note, when the term is greater than one year, and any loans that have a call provision:				
	D.	Volume of second mortgage loans where the mortgage is a fully amortized fixed rate loan:				

	MOST RECENT FISCAL YEAR SECOND MORTGAGE	
	NUMBER	DOLLAR
9. Outstandings Of Direct And Indirect Loans Where An Indirect Loan Is A Loan Which Is Originated By A Third Party For A Fee:		
A. Direct loan net balance outstanding:	_____	_____
B. Indirect loan net balance outstanding:	_____	_____
10. Volume Of Direct And Indirect Loans Originated:		
A. Direct loan net balance originated:	_____	_____
B. Indirect loan net balance originated:	_____	_____

	MOST RECENT FISCAL YEAR	
	SECOND MORTGAGE ONLY	FULL PORTFOLIO
II. SOURCES OF FUNDS AND PROFITABILITY:		
11. Average borrowings during fiscal year: (Based on average debt outstanding daily ____; at beginning or end of each month ____; quarter ____; or year ____. (Check one.)	_____	_____
12. Average stockholders' equity during fiscal year: (Based on average equity outstanding daily ____; or at beginning or end of each month ____; quarter ____; or year ____. (Check one.)	_____	_____
13. Interest expense for the fiscal year:	_____	_____
14. Gross Revenue For The Fiscal Year:		
A. What type of income recognition method is used?	_____	
B. Gross interest income:	_____	_____
C. Mortgage servicing fee income:	_____	_____
D. Origination fee on loans acquired for own account:	_____	_____
E. Brokerage fee on loans and other fee income:	_____	_____
F. Prepayment penalties:	_____	_____
G. Insurance and other non-fee revenue:	_____	_____
15. Income Before Income Taxes For Fiscal Year:	_____	_____

	SECOND MORTGAGE ONLY		
	HIGH	AVERAGE	LOW
16. Range Of APR On Loans Originated During The Year:	_____	_____	_____

	MOST RECENT FISCAL YEAR SECOND MORTGAGES	
	NUMBER	UNPAID BALANCES INCLUDING LOANS & FORECLOSURES BUT NOT OWNED:
III. CONTRACTUAL DELINQUENCIES & CHARGE-OFFS:		
17. Contractual Analysis: (Based on terms in effect at statement date and applicable to precompute, add-on, discount, and interest-bearing accounts.)		
A. All current accounts plus all accounts with installments past due less than 60 days:	_____	_____
B. Accounts past due: 60-89 days:	_____	_____
C. Accounts past due: 90-179 days:	_____	_____
D. Accounts past due: 180 days or more:	_____	_____
E. Total accounts delinquent over 60 days: (Should equal B+C+D)	_____	_____
F. Total accounts: (Both current and delinquent - should equal A+E)	_____	_____

MOST RECENT FISCAL YEAR
SECOND MORTGAGES

	NUMBER	UNPAID BALANCES INCLUDING LOANS & FORECLOSURES BUT NOT OWNED:
18. A. Do reported delinquent balances include real estate owned after foreclosure? ____ Yes ____ No.		
B. Provide number and amount of real estate owned after foreclosure:	_____	_____
C. Are real estate owned after foreclosures included in outstandings? ____ Yes ____ No.		
19. Do reported delinquent balances include unearned finance charges? ____ Yes ____ No. If so, provide dollar amount:		_____

20. Do delinquent balances apply only to fully owned loans or to serviced loans also?
____ Includes own receivables only.
____ Includes serviced loans.

	MOST RECENT FISCAL YEAR SECOND MORTGAGES	
	NUMBER	UNPAID BALANCE ON LOANS

21. Foreclosures:

A. Define foreclosure policy:

_____

_____

B.	Total foreclosures consummated during the fiscal year including property taken by deed:	_____	_____
	(1) Property taken by deed:	_____	_____
	(2) Property taken through legal process:	_____	_____
C.	Foreclosed properties liquidated:	_____	_____
D.	Property sold (number):	_____	
E.	Property sold (dollar amount realized from sale):		_____

MOST RECENT FISCAL YEAR
SECOND MORTGAGES

AMOUNT

22. Charge-offs:

A. Define charge-off policy:

_____

_____

B. Gross charge-offs during fiscal year: _____

C. Recoveries during fiscal year: _____

D. Net charge-offs during fiscal year: _____

23. Allowance (reserves for possible loan losses at end of fiscal year): _____

	MOST RECENT FISCAL YEAR SECOND MORTGAGES	
	NUMBER	DOLLAR

IV. OPERATING POLICIES:

This data should be reported for the quarter ending with the end of fiscal year shown on previous page. The data reported should relate to originated loans only, not purchased loans.

24. Number and dollar volume of second mortgage loans originated for personal, family or household purposes during quarter: _____ _____

25. Number and dollar volume of second mortgage loans originated for other than consumer purposes: _____ _____

26. Number and total dollar volume of second mortgage loans originated during the quarter (should be equal to sum of #24 and #25): _____ _____

27. Estimated percent of dollar volume consisting of "purchase money" second mortgages: _____ _____

28. A. Number and volume of private mortgage insured loans: _____ _____

B. Define private mortgage insurance policy:

_____

_____

29. With respect to second mortgage loans made to consumers:

A. Average ratio of loan to appraised equity: _____ %

B. Maximum ratio of all mortgages to appraised value of property: _____ %

C. Average written maturity of new loans - dollar weighted: _____ Months

D. Average actual maturity of new loans - dollar weighted: _____ Months

V. STATE SPECIFIC DATA ON OUTSTANDINGS AND FORECLOSURES:

For each state in which you operate, please record the following information: (If you operate in more than 3 states, please Xerox this page and provide information applicable to additional states on the copies.)

A. Name of State:	_____	_____	_____
B. Second mortgage outstandings in state:*			
- Number	_____	_____	_____
- Dollar Value	_____	_____	_____
C. Originations in state during 1985:*			
- Number	_____	_____	_____
- Dollar Value	_____	_____	_____
D. Average APR for second mortgages originated:	_____	_____	_____
E. Second mortgage delinquencies:			
1. Number of accounts delinquent over 60 days:	_____	_____	_____
2. Dollar amount of accounts delinquent over 60 days:	_____	_____	_____
3. % of related receivables outstanding:	_____	_____	_____
F. 1. Number of foreclosures:	_____	_____	_____
2. Dollar value of liens:	_____	_____	_____
G. Foreclosed properties liquidated during 1985:			
1. Property sold (number):	_____	_____	_____
2. Property sold (dollar value):	_____	_____	_____

* Report outstandings and volume net of unearned interest if possible.

QUESTIONNAIRE DEFINITIONS

REPORTING PERIOD

Most recent fiscal year ending on or closest to December 31, 1985.

PREVIOUS YEAR

Fiscal year exactly one year prior to the reporting period.

GROSS LOAN RECEIVABLE

Includes all principal loan balances due plus precomputed finance charges (unearned interest income) associated with those loans.

NET LOANS RECEIVABLE

Includes only principal loan balances due, i. e., net balances receivable equal gross balances receivable less precomputed finance charges (unearned interest income).

VOLUME OF NEW LOANS

Value of receivables originated and purchased during the period.

NEW MONEY

Amount of new money disbursed.

BALANCES RENEWED

Pre-existing balances refinanced.

AVERAGE NET LOANS RECEIVABLE

Sum of net loans receivable outstanding at beginning of each month (or quarter) during period divided by number of months (or quarters) in the fiscal year. Alternatively, daiiy average figures may be kept, or this year's net receivables can be added to last year's net receivables outstanding and divided by two.

AVERAGE BORROWINGS

Sum of total borrowings outstanding at beginning of each month (or quarter) during period divided by number of months (or quarters) in the fiscal year. Again, daily average figures can be used, or the average of year-end debt balances can be provided.

AVERAGE STOCKHOLDERS EQUITY

Sum of stockholders' equity at beginning of each month (or quarter) during period divided by number of months (or quarters) in the fiscal year.

"PURCHASE MONEY" SECOND MORTGAGE

Second mortgage used to help finance the borrower's initial purchase of the mortgaged property.

PLEASE NOTE: If you have any questions regarding any part of this questionnaire, please phone Dr. Richard (Chip) Peterson at (806) 742-3365.

What does NSMA do and who belongs?

Since 1974 the National Second Mortgage Association has spearheaded the cause for better understanding and open communication lines in the second mortgage lending industry. The organization is comprised of representatives from major banks, bank holding companies, national and regional consumer finance companies, savings and loan associations and second mortgage companies. Additionally, there are associate members from insurance and marketing companies, plus other suppliers to the industry. Together, they bring financial strength from worldwide resources to an organization committed to professionalism, positive direction and continuous education to help the industry keep pace with the rapidly changing financial climate.

List of member companies available on request.

To request a Membership Package, you may phone or write:

Membership Committee
National Second Mortgage Assn.
1166 DeKalb Pike
Center Square, PA 19422
Tel: (PA) (215) 277-3740
Other States 1-800-342-1121